



city of
CUPERTINO
general plan amendment



Market Study

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Prepared by
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EXECUTIVE SUMMARY

Study Areas – Location and Description

The Cupertino General Plan Amendment (GPA) focuses on five corridors along Stevens Creek Boulevard (Heart of the City Corridor), De Anza Boulevard (South De Anza and North De Anza Corridor), Wolfe Road (North Wolfe Corridor), and Homestead Road (Homestead Corridor). Each corridor is located east of Highway 85 in neighborhoods with existing commercial or office development.

- Most of the parcels within the five corridors are developed with existing uses, and as a result, new development facilitated by the GPA would consist largely of either redevelopment of existing buildings, selective demolition of existing structures and replacement with new construction, or new infill development adjacent to existing uses.
- Overall, these corridors will be attractive opportunities for residential and commercial renovation and new construction.

Demographic Trends

With a 2010 population of approximately 58,300¹, Cupertino is a growing community with a significant concentration of highly educated and high-income households attracted to the city by its outstanding public schools and location in the heart of Silicon Valley. The city's household composition is weighted towards family households with children, with a lower percent of households comprised of singles. As the city has grown, its ethnic mix has changed to where its Asian population comprises approximately 63.1 percent of the population in 2010.

- Cupertino has experienced modest growth, averaging 1.4 percent annually over the past ten years. This is a more rapid growth rate than either Santa Clara County or the Bay Area as a whole.
- The city's average household size in 2010 was 2.87, about the same as Santa Clara County (2.90 persons per household) and higher than the Bay Area average (2.69 persons per household).
- The larger average household size is driven by the higher percentage of households with children under the age of 18. In Cupertino, 47.3 percent of households have

¹ This study uses 2010 as the base year for comparisons and consistency with forecasts prepared by the Association of Bay Area Governments; the 2012 U.S. Census population estimate for Cupertino is approximately 60,000.

children under the age of 18, compared to 38.4 percent of households in Santa Clara County and only 33.4 percent of households in the Bay Area. Only 17.6 percent of Cupertino households in 2010 were comprised of single adults compared to 21.8 percent for Santa Clara County and 26.1 percent for the Bay Area.

- Between 2000 and 2010, the ethnic composition of Cupertino's population has changed significantly. The proportion of residents who are of Asian descent grew from 44.3 percent to 63.1 percent of the city's population, while the percent of non-Hispanic white residents fell from 47.8 to 29.3 percent. The percent of population in other ethnic categories such as African-American, Hispanic, and 2+ Races generally remained stable.
- Cupertino residents have high levels of educational attainment. Over 73 percent of city residents over the age of 18 have a bachelor, graduate, or professional degree compared to 46 percent in Santa Clara County, and 42 percent in the Bay Area.
- Cupertino residents' high level of educational attainment is correlated with a high degree of professional occupations: 77 percent of employed city residents work in management, business, science, or arts occupations, compared to 45 percent of Bay Area residents.
- Reflecting high education levels and professional occupations, Cupertino households earn a significantly higher median household income (\$123,700) than Santa Clara County (\$87,200), and the Bay Area (\$75,800). This means Cupertino households can support higher rents and home prices as well as higher levels of discretionary retail spending.
- Cupertino's public schools are among the best in California, attracting families with children to the city. All of the elementary and middle schools in the city achieved the minimum California Academic Performance Index standard of 800 in 2012, and 22 of Cupertino's elementary and middle schools achieved over 900. All but one of the high schools that serve the city also exceeded the minimum standard of 800 in 2012. Enrollments have risen in Cupertino's public schools even through new housing development has been limited in recent years.
- Overall, Cupertino's strong demographics provide strong support for renovated or new retail shopping facilities in the city.

Economic Trends

As the home of Apple Inc., Cupertino is dominated by the technology sector. The city experiences a net daily inflow of approximately 26,700 workers to employment centers. Cupertino's strong economy supports demand for both office space and retail facilities.

- As the city's largest employer with over 13,000 employees, Apple Inc. impacts the demand for office space in Cupertino through its own internal growth and

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acquisitions, attraction of firms doing business with Apple, and through spin-offs and start-ups established by Apple Inc. employees.

- While there are approximately 31,800 jobs in Cupertino, there are approximately 5,100 residents in the city who also work in Cupertino, indicating a net inflow of approximately 26,700 workers into the community on weekdays. These workers represent a segment of market demand for convenience retail expenditures.
- 61 percent of jobs in Cupertino are in occupations related to management, business, science, and the arts, while approximately 20 percent of jobs in the city are in sales and office occupations. Together, these two occupational categories account for over 80 percent of jobs in Cupertino.
- While Cupertino employment data shows that just under 29 percent of its jobs are classified as being in the manufacturing sector, only four percent of occupations are actually in production, transportation and material moving occupations. This reflects Apple Inc. as a computer and mobile device manufacturing company with headquarters and R&D activities in Cupertino, but with manufacturing activity located outside the community.
- As a result of the higher percentage of management, business, science, and arts occupations, the median earnings of workers in Cupertino is \$81,000, approximately 42 percent higher than the median earnings for workers overall in Santa Clara County (\$57,000).
- Cupertino's work force is composed of a lower proportion of younger workers when compared to Santa Clara County. Just 28 percent of Cupertino's jobs are held by workers under age 35, compared to 32 percent of all jobs in the county.
- The ethnic profile of workers in Cupertino is different than the profile for the resident population. While the resident population in the city is over 63 percent of Asian ethnicities, just fewer than 35 percent of workers are of Asian ethnicities. Compared to the city's residential population, a larger percent of workers are of non-Hispanic white and Hispanic or Latino race and ethnicity. This suggests that retail in Cupertino must cater to a more diverse base of customers than reflected by the city resident profile alone.
- Overall, Cupertino has a highly compensated workforce that provides a strong base of potential retail sales during the workday, although this is somewhat tempered by onsite food service and other amenities offered by major employers such as Apple Inc.

Residential Market Assessment

Cupertino has a strong residential market due largely to the high quality of the local school districts and the presence of Apple Inc. and other high-tech employers. Strong demand for homes in Cupertino has created a housing market characterized by high home prices and rental rates, which were impacted relatively little during the Great Recession. While demand is strong, new construction has been modest in the current economic recovery.

- Cupertino's residential market is primarily comprised of single-family attached and detached homes, which together account for nearly 70 percent of the city's housing stock. The proportion of homeowners in Cupertino is approximately 63 percent, reflecting the predominance of single-family homes in the community which tend to be purchased by owner-occupants.
- Cupertino's median home price at the end of 2012 was approximately \$1,045,800, almost double the median home price of \$525,000 reported for Santa Clara County. During the Great Recession, the median home price in Cupertino fell by only eight percent from peak to trough, compared to a 35 percent price decline countywide.
- A breakdown of data for home sales by type of unit and size indicates that most of Cupertino's units selling for less than the reported median are condominiums. These units sold for a median price of \$775,000 at the end of 2012, compared to single-family home sales with a median price of \$1.4 million. Two-thirds of condominiums sales were for two bedroom units, in contrast to over 50 fifty percent of single family home sales for units with four or more bedrooms.
- Thirty percent of Cupertino's housing stock is in multifamily units. An analysis of rental residential properties indicates that the city's rental stock has a higher proportion of larger rental units (59 percent of units had two or more bedrooms) than found elsewhere in Santa Clara County (49 percent of total units with two or more bedrooms), likely reflecting demand for rentals oriented to families attracted by local schools.
- The city's rental apartment complexes are experiencing strong occupancy and rising rental rates. Although occupancy rates fell during the Great Recession to 93 percent, occupancy had recovered to almost 95 percent by the end of the second quarter of 2013. Market analysts consider 95 percent occupancy rates to indicate a balanced market between demand and supply.
- Rental rates in Cupertino now exceed rental rates achieved prior to the recession. As of the end of the second quarter 2013, the average apartment in Cupertino was \$2,426 –17 percent higher than the average apartment rental rate for Santa Clara County (\$2,062).
- While residential construction in Santa Clara County is approaching pre-recession levels, residential construction in Cupertino has improved only slightly from its

trough year 2009, despite strong demand signals such as rising home prices and apartment rents.

- As of the date of this report, there was only two planned or proposed for-sale residential projects, Parkside Trails (18 units) on Stevens Creek Road and a six-unit live/work project on Foothill Boulevard and Silver Oak Way. Cupertino also has three rental residential projects in the development pipeline, which will add a total of 404 units to the housing supply.
- Overall, there is strong demand for both for-sale and rental housing, and a potential gap in the market for units targeted to young or single households or other smaller households. This mismatch is suggested by the profile of workers commuting into Cupertino, with lower median ages than residents.

Retail Market Assessment

While Cupertino has one regional mall and several community retail shopping centers and clusters, the city is experiencing significant retail sales leakage overall. As noted in the separate Retail Strategy Report, there are barriers to entry for new retail in the City due to lack of suitable sites. While there are planned projects that may allow the city to recapture a portion of these lost sales opportunities, the City's biggest opportunity to improve its retail sector lies with successfully redeveloping the existing Vallco Shopping Center.

- Total retail sales for Cupertino in 2011 were estimated at approximately \$615 million. The three largest categories by sales volume are food and beverage stores (27 percent), food services and drinking places (22 percent), and general merchandise stores (20 percent). Taxable retail sales have risen over the past three years reflecting both a recovery from the Great Recession as well as population growth.
- When measured on a per capita basis, total retail sales in Cupertino are relatively low, at \$10,483 annually per resident, compared to \$15,807 annually for the Retail Trade Area and \$13,404 for Santa Clara County. This results in sales leakage outside of Cupertino, meaning residents and workers are spending retail dollars at stores in other jurisdictions nearby.
- Much of this leakage from Cupertino is attributable to a strong surrounding Regional Trade Area, with ample shopping centers and retail facilities serving the larger South Bay. When analyzed overall, the Regional Trade Area is well-balanced between potential demand from residents and workers, and sales occurring within it; analysis indicated less than eight percent of potential sales from Trade Area customers were occurring outside of the Trade Area.
- Cupertino's retail leakage to the Retail Trade Area does not stem from any fundamental flaw in its location, transportation access, or demographics, but rather

from other retail development being better executed and operated outside the City (see Retail Strategy Report for further information see the Retail Strategy Study).

- Cupertino has relatively strong retail sales in stores selling everyday items, such as food stores and drug stores.
- General merchandise stores that sell a mix of everyday items and comparison goods are performing well due to the presence of three mall department stores and one discount department store in Cupertino.
- Stores specializing in other types of comparison goods, however, are lacking in the city. With the exception of the Vallco Shopping Mall, most of Cupertino's retail stores serve convenience-oriented shopping.
- None of the existing shopping centers in Cupertino can be categorized as a "lifestyle" center" although Cupertino Village, The Oaks, and Vallco Shopping Center have elements of "lifestyle" retail. This newer type of retail, which combines upscale, specialty retail, dining, and entertainment in one shopping experience, has recently been developed elsewhere in the Bay Area, exemplified by Santana Row. The Main Street project planned for Cupertino will add this type of experience to the city's retail inventory.

Despite exceptionally strong household demographics and worker incomes, as well as significant retail leakage, the market has only recently responded with new retail projects in Cupertino.

- Terranomics, Inc., a regional commercial brokerage firm specializing in retail, indicates that the Cupertino/Sunnyvale submarket has an inventory of 4.2 million square feet of retail as of the end of the second quarter 2013. The submarket's inventory has expanded modestly by nearly five percent over the past seven years.
- The Cupertino/Sunnyvale submarket has averaged approximately 27,200 square feet of net retail absorption annually over the past ten years. The market experienced negative net absorption service in 2010, reflecting the impact of the Great Recession as well as in 2012 when some retail space was unoccupied due to renovation or replacement project plans occurring both in Cupertino and Sunnyvale.
- A review of retail spaces currently for lease in Cupertino indicates an asking and actual rental range between \$2.25 and \$4.50 monthly per square foot triple net – a level high enough to make new retail construction potentially financially feasible.
- There are eight projects with a retail component that are under construction, approved, or planned in Cupertino. These projects together will bring a total of approximately 352,600 net new square feet of retail to the city.

Overall, there is potentially strong market support for renovated or new retail facilities – given that existing and new centers deliver the right retail mix in a contemporary setting that provides a great experience to shoppers. Cupertino enjoys two advantages to support new retail development:

- *Centrally located within the Retail Trade Area*
- *Excellent access to freeways, expressways, and major arterials*

A detailed analysis of Cupertino's retail sales data indicates a number of retail categories that could be targeted for both planned and proposed projects as well as future retail development under the General Plan Amendment. Categories with significant potential (defined here as categories in which per capital sales in Cupertino are less than half the per capita sales for Santa Clara County) include:

- Vehicle and parts dealers (except for tire dealers)
- Radio, television, and other electronics stores,
- Computer and software stores
- Home centers, paint and wallpaper stores, hardware stores, and other building material dealers
- Meat markets and specialty food stores
- Cosmetics, beauty supplies, and perfume stores
- Men's and woman's clothing stores, children's and infant's clothing stores
- Family clothing stores
- Clothing accessory stores
- Luggage and leather goods stores
- Bookstores, news dealers and newsstands
- Prerecorded tape, compact disc, and record stores
- Warehouse clubs and supercenters
- Miscellaneous retail stores (except pet and pet supplies stores and tobacco stores)
- Food service contractors and drinking places (alcoholic beverages)

The degree to which Cupertino can increase sales in these above-mentioned categories will depend on the specific location and site characteristics and location of new retail development and general competitive forces (such as location of competitors). See the Retail Strategy Study for more information on this topic.

As indicated in the Retail Strategy Report, the Vallco Shopping Center represents a mixed picture for Cupertino. Its anchor department stores and entertainment options appear to draw shoppers to the city, but the poor performance of the remainder of the mall contributes to the city's overall leakage of sales to other competing communities.

- *To expand retail offerings at Vallco and to improve the overall experience of shopping at this center, property owners need incentives to invest in or redevelop their properties.*

- Increasing density at Vallco to permit mixed-uses would be a powerful incentive to motivate Vallco property owners to improve and/or redevelop the shopping center.

Office Market Assessment

The office market in Cupertino has been performing strongly, led by the growth of Apple Inc., and other technology companies. By several metrics, demand continues to be strong, limited primarily by supply constraints. To continue to be attractive to technology companies, the city must encourage the renovation or replacement of existing office facilities with newer, more functional, environmentally sustainable space with a high level of on-site amenities as well as strong linkages to nearby retail and recreational amenities.

- Cupertino's inventory of office space consists of 4.1 million square feet located primarily along Stevens Creek Boulevard, De Anza, and North Wolfe Road. Cupertino accounts for 6.7 percent of Santa Clara County's 61 million square foot office market.
- Measured by vacancy rates, the Cupertino office market has exhibited consistently lower vacancy rates than for either Santa Clara County or the West Valley office submarket. As of the end of the first quarter 2013, the city's office vacancy rate was only 1.5 percent compared to 11.7 percent in the West Valley and 13.0 percent county wide.
- The city's low office vacancy rate is the result of four years of positive net absorption and little new office construction. Over the past ten years the average annual net absorption of office space has been approximately 60,500 square feet.
- Office landlords have been able to achieve consistently higher rental rates in Cupertino than in the West Valley submarket and County overall. At the end of the first quarter 2013, the average full service monthly asking rental rate for Class A office space was \$3.94 per square foot on a full service basis in Cupertino, compared to \$3.56 per square foot in the West Valley and \$3.49 per square foot countywide.

Commercial brokers report that large blocks of office space are generally not available and high office rents discourage some businesses from locating in the Cupertino.

- Cupertino City Center, considered the city's premier office building, has been 100 percent occupied for over a year and only now has 8,200 square feet available. Similarly, the Cupertino Financial Center reports only 1,000 square feet available as of the date of this report.
- There are four planned and proposed office development projects in Cupertino that could add up to one million square feet of additional supply to the city's inventory. However, three-quarters of this inventory expansion is for Apple Inc., and

approximately 294,000 square feet of additional office is planned in three other projects and could be offered to other firms and businesses.

Hotel Market Assessment

Business-related travel is the driver of demand for hotel rooms in Silicon Valley. Exceptionally strong occupancy and growth in room revenue in Cupertino's existing hotels suggest support for additional hotel rooms. General population and employment growth will also increase overall total demand. Hotels are one of the riskiest real estate investments and financing can be difficult to obtain. As a result development of new hotels tends to lag job growth. Cupertino has an advantage over other West Valley communities by having Apple Inc., as its main employer and generator of business travel.

- Cupertino has an inventory of 785 rooms in five hotel properties: Cupertino Inn, Courtyard by Marriott, Hilton Garden Inn, Kimpton Cypress Hotel and Aloft Cupertino.
- Hotel operators indicate that between 70 and 75 percent of hotel room demand is business related.
- After declining during the Great Recession, hotel occupancy in Cupertino is now higher than before the recession – averaging 80 percent occupancy during 2012. Some operators report current occupancy rates as high as 90 or 100 percent during weekdays. Most hotel market analysts consider 70 percent occupancy as an overall financially feasible level; thus, Cupertino's rates are relatively high, suggesting strong market demand and room for growth in supply.
- The average daily room rate for Cupertino hotel properties, at \$134.30 in 2012, is approaching pre-recession levels.
- The city's hotel development pipeline totals 302 rooms in two projects located at the Oaks Shopping Center and within the Main Street project, respectively.
- Overall, market indicators, including the expansion of Apple Inc., signal support for new hotel development in Cupertino.

Summary of Demand Estimates

Based on the above analysis, the following table summarizes the market demand findings of this report. These findings will be considered during the planning process and inform the setting of new allocations for the City of Cupertino.

- **Housing.** Demand estimates range from indicate market support for an increased allocation of between 473 and 1,939 units by 2020 and between 2,353 and 4,420 units by 2035.

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- **Office.** Demand estimates are 2.9 million square feet through 2020 and 3.6 million square feet by 2035. These estimates incorporate the Apple 2 campus and would accommodate demand from a large corporate user (either new or an existing firm expanding in the future).
- **Retail.** The range of supportable square footage of new retail space resulting from capture of current sales leakages of existing resident and worker expenditures and future demand from new residents and workers is estimated to be between 51,800 and 222,000 by 2020 and from 158,000 to 345,000 square feet by 2035. This level of demand indicates that the current remaining commercial allocation of 701,500 square feet is generally adequate. While a portion of this demand could be met with renovated or redeveloped retail in all four corridors, the primary opportunity to capture this retail demand as well as increase the city's share of retail sales within the Retail Trade Area would lie with the Vallco Shopping Center. The Retail Strategy Report presents a detailed analysis of the Vallco district.
- **Hotel.** No or little new hotel demand is identified between now and 2020, but new demand for hotel rooms may range from 40 to 985 room by 2035.

Summary of Demand Estimates

	Residential		Office	Retail		Hotel	
	Low	High		Low	High	Low	High
Through 2020							
Demand Through 2020 (Units/Sq.Ft.)	877	1,535	303,061	227,800	398,000	61	202
Demand Adjustments (a)	-	-	2,750,000	-	-	-	-
Less: Entitled Projects	(404)	(404)	147,050	176,000	176,000	(151)	(151)
Net Demand	473	1,939	2,906,011	51,800	222,000	(90)	51
Through 2035							
Demand Through 2035 (Units/Sq.Ft.)	2,757	4,824	952,477	334,000	521,000	191	636
Demand Adjustments	-	-	2,750,000 (a)	-	-	-	500 (b)
Less: Entitled Projects	404	404	147,050	176,000	176,000	(151)	(151)
Net Demand	2,353	4,420	3,555,428	158,000	345,000	40	985

Notes:

(a) For Office Apple Campus 2 and 1.5 million sq.ft. added; see text for description.

(b) Adjustment for flexibility in meeting long-term demand under high scenario; see text for description.

Sources: City of Cupertino; BAE 2013.

INTRODUCTION

Located in the heart of the Silicon Valley with a 2010 population of approximately 58,300², Cupertino has emerged over the past two decades as one of the major economic nodes in the increasingly interconnected global economy. The city is home to one of the world's most valuable companies and brands (Apple, Inc.), has a thriving small business sector, and is one of the most highly educated communities in the nation.

In early 2013, the City of Cupertino initiated a process to review several properties in the commercial districts in Cupertino, including the Vallco Shopping Mall, as part of a focused General Plan Amendment (GPA). This process includes an extensive community discussion on mobility, urban design and economic development challenges and ideas. As a starting point for the GPA process, the City will be evaluating potential increases to citywide development allocations for office, commercial, housing and hotel uses.

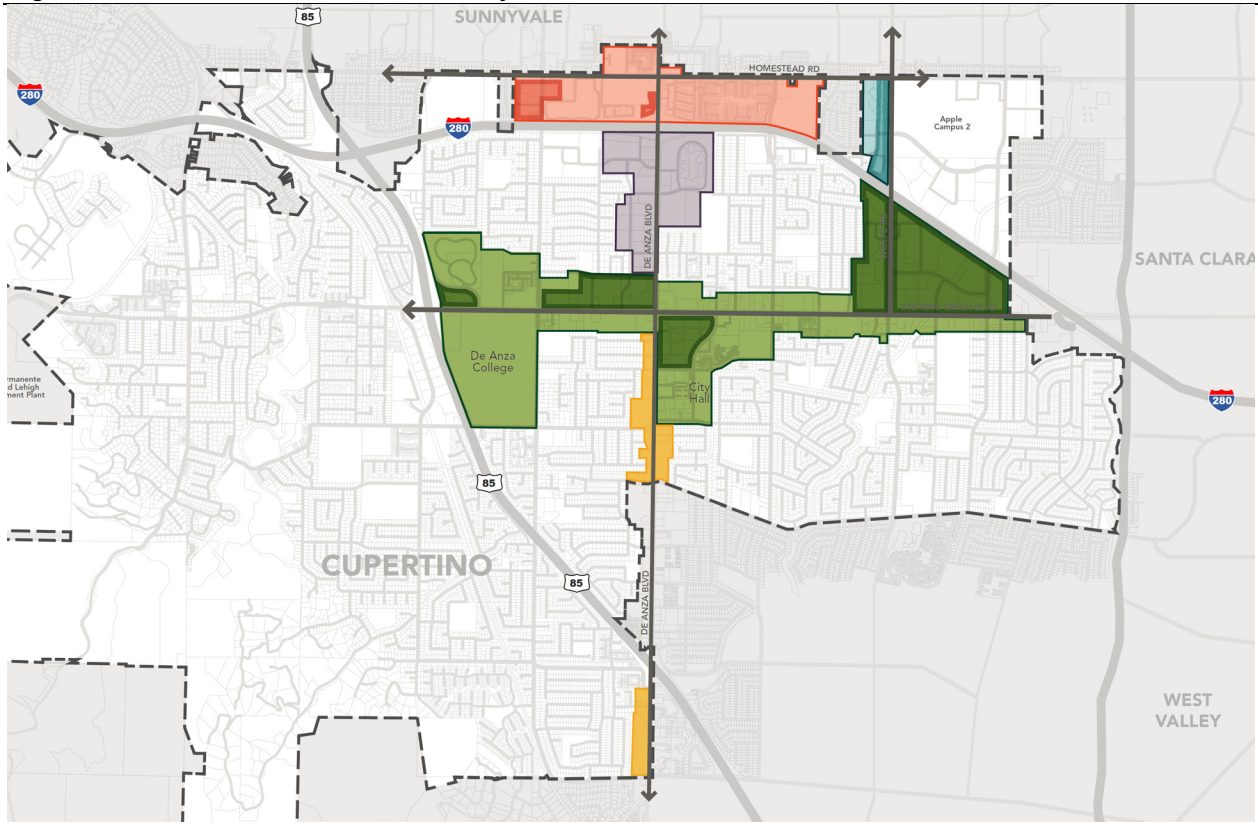
This Market Demand Analysis provides background information on demographic and employment trends in Cupertino, Santa Clara County and the greater Bay Area, and assesses market trends and demand for new residential, retail and office development in Cupertino. The information and analysis provided in this analysis will inform the development of Concept Alternatives that will form the basis for the General Plan Amendment.

General Plan Amendment Major Mixed-use Corridors

The GPA will focus on identifying land use, economic development, and urban design changes on five corridors, shown in Figure 1 below. These major mixed-use corridors represent key “change areas” within Cupertino where future development will be focused.

Most of these areas are developed with existing uses, and as a result, new development facilitated by the GPA would consist largely of either redevelopment of existing buildings, selective demolition of existing structures and replacement with new construction, or new infill development adjacent to existing uses.

² This study uses 2010 as the base year for comparisons and consistency with forecasts prepared by the Association of Bay Area Governments; the 2012 U.S. Census population estimate for Cupertino is approximately 60,000.

Figure 1: General Plan Amendment Major Mixed-Use Corridors

Source: City of Cupertino and MIG, 2014

A. Homestead Corridor (red)

This corridor includes the area surrounding Homestead Road between Stelling and Blaney Avenue, within the Cupertino city limits. This corridor runs along the city's northern border and includes commercial uses, a PG&E facility, and several low, medium, and high density residential neighborhoods.

B. North Wolfe Corridor (blue)

This corridor is a major north/south connector that includes the Apple Campus 2, hotels, office, and other commercial uses.

C. Heart of the City Corridor (green)

This corridor is the "heart" of Cupertino and includes many of the city's largest commercial, office, mixed-use, and residential areas located along Stevens Creek Boulevard. It also includes the entire Vallco Shopping District site. This corridor has the same boundary as the current Heart of the City Specific Plan.

D. North De Anza Corridor (purple)

This corridor is a major north/south connector that includes many office and commercial uses.

E. South De Anza Corridor (yellow)

This corridor a north/south connector that includes smaller-scale commercial, office and residential uses

Implications for the General Plan Amendment

All of the major mixed-use corridors are comprised of high traffic arterials, with many sites having visibility of quick access to I-280, making sites within the corridors highly desirable for residential and commercial redevelopment and/or new construction.

DEMOGRAPHIC TRENDS

The following sections detail demographic characteristics and trends in Cupertino, including how the city has changed and grown in recent years, which will inform the real estate market demand analysis presented in later sections of this report. Demographic data were compiled from the U.S. Census Decennial Census and American Community Survey (ACS). The ACS publishes estimates of demographic conditions for geographies the size of Cupertino based on statistical sampling conducted continuously over a three-year period.³ While these data cannot represent conditions at a specific point in time, as in the previous decennial censuses, they are updated on an annual basis and offer a valuable means to compare characteristics across geographies. Estimated future changes in population, households, and employment were based on projections provided by the Association of Bay Area Governments (ABAG). To the extent that data are available, information is presented for Cupertino along with comparative information for Santa Clara County and the nine-county Bay Area.⁴ The base year of the demographic analysis is 2010 to facilitate comparisons and for consistency with ABAG forecasts.

Population and Household Trends

As shown in Table 1, Cupertino had a population of 58,302 residents and 20,181 households in 2010. These figures represent a 15 percent increase in population and an 11 percent increase in households since 2000, significantly higher than the rate of growth in Santa Clara County (six percent increase in population; seven percent increase in households) and the Bay Area (five percent increase in population; six percent increase in households). Between 2000 and 2010, the rate of population and household growth in Cupertino surpassed the growth rate in surrounding areas. Table 1 summarizes population and household trends for Cupertino, Santa Clara County, and the Bay Area.

³This data source replaces the information obtained in previous Censuses from the “long form” questionnaire. For more information on the ACS, see www.census.gov/acs/www/about_the_survey/american_community_survey/

⁴ The nine-county Bay Area consists of the Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties.

Table 1: Population and Household Trends, 2000-2010

	2000	2010	Annual % Change 2000-2010
Cupertino			
Population	50,546	58,302	1.4%
Households	18,204	20,181	1.0%
Santa Clara County			
Population	1,682,585	1,781,642	0.6%
Households	565,863	604,204	0.7%
Bay Area (a)			
Population	6,783,760	7,150,739	0.5%
Households	2,466,019	2,608,023	0.6%

Notes:

(a) The nine-county Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties.

Sources: U.S. Census 2000 & 2010; BAE, 2013.

Household Composition

Households in Cupertino tend to be slightly larger than average for the Bay Area and about the same size as Santa Clara County. In 2010, the average household size was approximately 2.9 persons in Cupertino and Santa Clara County and 2.7 persons in the Bay Area overall, as shown in Table 2. Moreover, Cupertino has a larger proportion of family households and households with children than Santa Clara County and the Bay Area. Family households accounted for more than three quarters of all Cupertino households (78 percent) in 2010, compared to 71 percent of households in Santa Clara County and 65 percent of households in the Bay Area. Close to half of all households in Cupertino (47 percent) included children under the age of 18, compared to approximately one third in Santa Clara County (38 percent) and the Bay Area (33 percent). The large and growing number of households with children in Cupertino is due largely to the school districts that serve the city, which are among the most highly rated in the country.

Household characteristics suggest recent demographic shifts in Cupertino, leading to larger household sizes, more families, and more households with children. The average household size in Cupertino increased from 2.75 persons in 2000 to 2.87 persons in 2010, while the average household size was essentially unchanged in both Santa Clara County and Bay Area. The proportion of family households and households with children also increased between 2000 and 2010 in Cupertino while changing only slightly in Santa Clara County and the Bay Area.

Table 2: Household Composition, 2000-2010

	Cupertino		Santa Clara County		Bay Area (a)	
	2000	2010	2000	2010	2000	2010
Average Household Size	2.75	2.87	2.92	2.90	2.69	2.69
Household Type (b)						
Non-Family						
Single Person	19.6%	17.6%	21.4%	21.8%	25.9%	26.1%
2+ Persons	5.6%	4.3%	8.7%	7.6%	9.5%	9.2%
Non-Family Households	25.2%	21.8%	30.1%	29.4%	35.3%	35.4%
Family Households	74.8%	78.2%	69.9%	70.6%	64.7%	64.6%
Households with Children < 18	43.2%	47.3%	38.6%	38.4%	34.7%	33.4%

Notes:

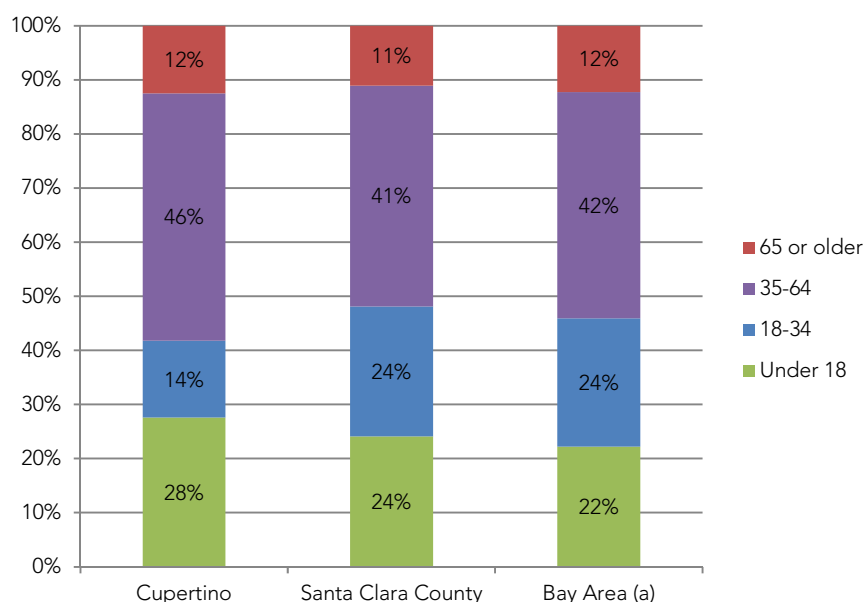
(a) The nine-county Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties.

(b) A family is a group of two people or more related by birth, marriage, or adoption and residing together.

Sources: U.S. Census 2000 & 2010; BAE, 2013.

Age Distribution

Census data indicate that Cupertino residents have a slightly higher median age than residents in the region and the city has a significantly different distribution of age cohorts. In 2010, the median age in Cupertino was 39.9, compared to 36.2 in Santa Clara County, and 37.7 in the Bay Area. Looking at the age cohorts, as shown in Figure 2, Cupertino has a high proportion of children under 18 (28 percent of the population in 2010, compared to 24 percent in the county and 22 percent in the region) and adults in the 35 to 64 years-of-age cohort (46 percent of the population in 2010, compared to 41 percent in the county and 42 percent in the region). Conversely, the city has a lower proportion of adults in the 18 to 34 years-of-age cohort, which accounted for only 14 percent of the population in Cupertino and 24 percent of the population of the county and region. These data demonstrate that Cupertino is primarily populated by families with children and that young adults do not comprise a large portion of the population.

Figure 2: Age Distribution, 2010

Notes:

(a) The nine-county Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties.

Sources: U.S. Census 2000 & 2010; BAE, 2013.

Ethnicity

Cupertino differs markedly from the county and region with respect to the racial and ethnic breakdown of the population. In 2010, approximately two thirds of the population of Cupertino was of Asian descent, while approximately one third of the population of Santa Clara County and one quarter of the population of the Bay Area consisted of individuals of Asian descent. In all three geographies, data from 2010 demonstrate a significant increase in the Asian population compared to 2000; however, the difference is especially notable in Cupertino, where the Asian population grew by 64 percent between 2000 and 2010.

Compared to the county and region, Cupertino had a smaller share of individuals from all other racial and ethnic groups in 2010. The city's share of individuals of Hispanic origin (four percent of the population) is particularly small relative to Santa Clara County (27 percent of the population) and the region (24 percent of the population).

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Table 3: Ethnicity, 2000-2010

Ethnicity	Cupertino				% Change 2000-2010
	2000		2010		
	Number	% of Total	Number	% of Total	
Non-Hispanic	48,536	96.0%	56,189	96.4%	15.8%
White	24,181	47.8%	17,085	29.3%	-29.3%
Black/African American	319	0.6%	322	0.6%	0.9%
American Indian/Alaskan Native	80	0.2%	80	0.1%	0.0%
Asian	22,414	44.3%	36,815	63.1%	64.3%
Native Hawaiian/Pacific Islander	58	0.1%	39	0.1%	-32.8%
Some Other Race	124	0.2%	110	0.2%	-11.3%
2+ Races	1,360	2.7%	1,738	3.0%	27.8%
Hispanic	2,010	4.0%	2,113	3.6%	5.1%
Total	50,546	100.0%	58,302	100.0%	15.3%

Ethnicity	Santa Clara County				% Change 2000-2010
	2000		2010		
	Number	% of Total	Number	% of Total	
Non-Hispanic	1,279,184	76.0%	1,302,432	73.1%	1.8%
White	744,282	44.2%	626,909	35.2%	-15.8%
Black/African American	44,475	2.6%	42,331	2.4%	-4.8%
American Indian/Alaskan Native	5,270	0.3%	4,042	0.2%	-23.3%
Asian	426,771	25.4%	565,466	31.7%	32.5%
Native Hawaiian/Pacific Islander	5,040	0.3%	6,252	0.4%	24.0%
Some Other Race	3,522	0.2%	3,877	0.2%	10.1%
2+ Races	49,824	3.0%	53,555	3.0%	7.5%
Hispanic	403,401	24.0%	479,210	26.9%	18.8%
Total	1,682,585	100.0%	1,781,642	100.0%	5.9%

Ethnicity	Bay Area (a)				% Change 2000-2010
	2000		2010		
	Number	% of Total	Number	% of Total	
Non-Hispanic	5,468,585	80.6%	5,468,939	76.5%	0.0%
White	3,392,204	50.0%	3,032,903	42.4%	-10.6%
Black/African American	497,205	7.3%	460,178	6.4%	-7.4%
American Indian/Alaskan Native	24,733	0.4%	20,691	0.3%	-16.3%
Asian	1,278,515	18.8%	1,645,872	23.0%	28.7%
Native Hawaiian/Pacific Islander	33,640	0.5%	41,003	0.6%	21.9%
Some Other Race	18,451	0.3%	20,024	0.3%	8.5%
2+ Races	223,837	3.3%	248,268	3.5%	10.9%
Hispanic	1,315,175	19.4%	1,681,800	23.5%	27.9%
Total	6,783,760	100.0%	7,150,739	100.0%	5.4%

Notes:

(a) The nine-county Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties.

Sources: U.S. Census 2000 & 2010; BAE, 2013.

Household Income Distribution

Households in Cupertino earn significantly higher annual incomes than households in Santa Clara County and the Bay Area. ACS data indicate that the median annual household income in Cupertino was almost \$124,000, approximately \$37,000 higher than the median household income in Santa Clara County (\$87,148) and \$48,000 more than the median income in the Bay Area (\$75,837). Income disparity between Cupertino and the region was most substantial in the high income categories. Approximately one quarter of all households in Cupertino had an annual income of \$200,000 or more, while only 14 percent of households in Santa Clara County and 11 percent of households in the Bay Area had an annual income of \$200,000 or more.

Table 4: Household Income (a)

Income Category	Cupertino	Santa Clara County	Bay Area (b)
Less than \$15,000	4.7%	7.4%	8.8%
\$15,000-\$24,999	5.6%	6.6%	7.5%
\$25,000-\$34,999	2.7%	6.1%	7.1%
\$35,000-\$49,999	5.7%	9.3%	10.3%
\$50,000-\$74,999	10.8%	14.1%	15.8%
\$75,000-\$99,999	8.1%	12.3%	12.2%
\$100,000-\$149,999	22.3%	18.9%	17.5%
\$150,000-\$199,999	14.2%	11.0%	9.3%
\$200,000 or more	<u>25.8%</u>	<u>14.3%</u>	<u>11.3%</u>
Total	100.0%	100.0%	100.0%
Median HH Income	\$123,717	\$87,148	\$75,837
Per Capita Income	\$50,749	\$39,290	\$38,235

Notes:

(a) The American Community Survey (ACS) publishes demographic estimates based on statistical sampling conducted between 2009-2011.

(b) The nine-county Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties.

Sources: ACS, 2009-2011; BAE, 2013.

Educational Attainment

ACS data indicate that Cupertino residents tend to have a high level of educational attainment. Among residents age 25 and older, almost all Cupertino residents (96 percent) have earned a high school diploma, compared to 86 percent of Santa Clara County residents and 87 percent of Bay Area residents, as shown in Table 5 below. More than three quarters of Cupertino residents age 25 and older have a college degree, compared to approximately half of the population age 25 and older in Santa Clara County and the Bay Area. Moreover, the share of Cupertino residents age 25 and older with a graduate or professional degree (40 percent) is twice as high as the proportion of residents age 25 and older with a graduate or professional degree in Santa Clara County (20 percent) and the Bay Area (17 percent).

Table 5: Educational Attainment for Population 25+ Year of Age (a)

Educational Attainment	Cupertino	Santa Clara County	Bay Area (b)
Less than 9th Grade	2.1%	7.3%	7.1%
9th to 12th Grade, No Diploma	1.9%	6.2%	6.0%
High School Graduate (incl. Equivalency)	6.7%	16.3%	18.0%
Some College, No Degree	10.6%	17.6%	19.6%
Associate Degree	5.0%	7.1%	7.2%
Bachelor's Degree	33.3%	25.6%	25.3%
Graduate/Professional Degree	40.3%	20.0%	16.8%
Total	100.0%	100.0%	100.0%
Population with College Degree	78.6%	52.7%	49.2%

Notes:

(a) The American Community Survey (ACS) publishes demographic estimates based on statistical sampling conducted between 2009-2011.

(b) The nine-county Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties.

Sources: ACS, 2009-2011; BAE, 2013.

Schools

The public school districts that serve Cupertino are known for providing high quality education to students in kindergarten through twelfth grade. The city is served by the Cupertino Union School District for kindergarten through eighth grade and the Fremont Union High School District for ninth grade through twelfth grade. Like all public schools in California that serve students in kindergarten through twelfth grade, the schools that serve Cupertino are rated based on Academic Performance Index (API) scores, which is a composite score based on statewide standardized test results. API scores range from 200 to 1,000, with a higher score indicating higher test results. In 2012, all of the 25 schools in the Cupertino Union School District had an API score over the statewide performance target of 800, including 22 schools with an API score over 900. The 2012 API score for the five schools in the high school district that serves Cupertino (the Fremont Union High School District) ranged from 766 to 957, and all but one school in the district had an API score of 874 or above.

Strong educational performance has been accompanied by rising enrollments in Cupertino schools. Enrollment in the Cupertino Union School District has increased by nearly twenty percent over the past ten years to 19,230 in the 2013-14 school year. The Fremont Union High School District has grown by 14.5 percent over the same time period to its current enrollment of 10,665 students. This growth in enrollment has occurred even though housing production within the City has been limited over the past several years.

Due in part to high API scores, the school districts that serve Cupertino have earned a prestigious reputation that enhances the desirability of the city as a residential location for families with school-aged children. This is reflected in the demographic data discussed above, which shows that a large share of Cupertino households include children under 18.

Resident Occupation and Employment

ACS provides data on resident employment by occupation and by industry, which is shown in Table 6. Occupation data relate to the type of tasks workers perform, whereas industry data relate to the economic sector in which a worker is employed. ACS also provides data on workers employed in Cupertino, which will be discussed in a subsequent section.

According to ACS data, Cupertino residents are significantly more concentrated in management, business, science, and arts occupations than are residents of Santa Clara County or the Bay Area. While these occupations employ more than three quarters of employed Cupertino residents, less than half of all residents in Santa Clara County or the Bay Area are employed in these occupations. Relative to the county and region, Cupertino had a small share of residents in all other occupational categories, particularly service occupations. Four percent of employed Cupertino residents held service occupations, compared to 14 percent of employed Santa Clara County residents and 16 percent of all employed residents in the Bay Area. Individuals employed in management, business, and science occupations tend to earn more than people employed in service or other occupations, which is consistent with the high household incomes in Cupertino.

Cupertino residents also differed from residents of Santa Clara County and the Bay Area in terms of industries of employment. Manufacturing employed the largest proportion of residents in Cupertino, employing more than one quarter (28 percent) of employed residents, while only 20 percent of Santa Clara residents and 11 percent of Bay Area residents worked in the manufacturing industry. Given the nature of the Silicon Valley economy, it is likely that many Cupertino residents working in the manufacturing industry work in high-tech fields such as computer or software design. Aside from manufacturing, the largest source of employment for Cupertino residents was the professional, scientific, management, and administrative industry, which accounted for 25 percent of resident employment. This was followed by the education, health care, and social assistance industry, which accounted for 17 percent of resident employment. The education, health care, and social assistance industry accounted for a larger share of resident employment in Santa Clara County (18 percent) and the Bay Area (20 percent).

Table 6: Employed Residents by Occupation and Industry (a)

Occupation	Cupertino		Santa Clara County		Bay Area (b)	
	Number	% Total	Number	% Total	Number	% Total
Management, Business, Science, Arts	19,156	77.5%	410,324	49.6%	1,515,458	44.9%
Service	1,054	4.3%	117,618	14.2%	547,810	16.2%
Sales & Office	3,499	14.2%	174,183	21.0%	781,909	23.2%
Natural Resources, Construction, Maintenance	488	2.0%	56,766	6.9%	247,849	7.3%
Production, Transportation, Material Moving	524	2.1%	68,967	8.3%	274,853	8.1%
Military Specific Occupations	0	0.0%	224	0.0%	7,010	0.2%
Total	24,721	100.0%	828,082	100.0%	3,374,889	100.0%

Industry	Cupertino		Santa Clara County		Bay Area (b)	
	Number	% Total	Number	% Total	Number	% Total
Agriculture, Forestry, Fishing, Hunting, Mining	36	0.1%	4,128	0.5%	26,741	0.8%
Construction	412	1.7%	45,294	5.5%	200,346	5.9%
Manufacturing	6,992	28.3%	163,622	19.8%	381,882	11.3%
Wholesale Trade	502	2.0%	19,699	2.4%	89,961	2.7%
Retail Trade	1,510	6.1%	80,175	9.7%	345,938	10.3%
Transportation, Warehousing, Utilities	413	1.7%	22,945	2.8%	144,008	4.3%
Information	1,357	5.5%	32,083	3.9%	114,954	3.4%
Finance, Insurance, Real Estate	1,335	5.4%	42,625	5.1%	249,625	7.4%
Professional, Scientific, Mgmt., Admin	6,249	25.3%	149,209	18.0%	543,614	16.1%
Educational Svcs., Health Care, Social Assistance	4,107	16.6%	151,223	18.3%	683,184	20.2%
Arts, Entertainment, Rec, Accomod., Food Svcs.	734	3.0%	59,154	7.1%	289,092	8.6%
Other Svcs., Except Public Administration	715	2.9%	35,468	4.3%	166,056	4.9%
Public Administration	351	1.4%	21,839	2.6%	125,996	3.7%
Armed Forces	8	0.0%	618	0.1%	13,492	0.4%
Total	24,721	100.0%	828,082	100.0%	3,374,889	100.0%

Note:

(a) The American Community Survey (ACS) data used in this table is based on statistical sampling conducted between 2007-2011. Data are reported for workers age 16 & older.

Sources: ACS, 2007-2011; BAE, 2013.

Commute Flow

Cupertino has more jobs than employed residents, leading to a net inflow of workers to the city, and most Cupertino residents work in Cupertino or neighboring cities. Table 7 shows work locations for Cupertino residents, as well as where people employed in Cupertino live, based on ACS data collected between 2006 and 2008 (the most recent time period for which these data are available). According to these data, Approximately 24,000 Cupertino residents were employed in various locations, while the total number of jobs in the city was estimated at approximately 32,000. Approximately one fifth of all employed Cupertino residents (21 percent) both lived and worked in Cupertino –suggesting the importance of creating nice places to shop and dine both during the work day as well as evenings and weekends. Most of the employed Cupertino residents that did not work in the city worked in cities adjacent to Cupertino, including San Jose, Sunnyvale, and Santa Clara. Only 13 percent of employed Cupertino residents worked outside of Santa Clara County.

Similarly, most of the people that are employed in Cupertino live either in Cupertino or adjacent cities. Approximately one third (31 percent) of people employed in Cupertino live in

San Jose, 16 percent live in Cupertino, and 34 percent live elsewhere in Santa Clara County. These data indicate that there is a significant amount of cross-commuting between Cupertino and other locations within Santa Clara County, but cross commuting between Cupertino and locations outside of Santa Clara County is relatively limited.

Table 7: Commute Flow (a)

Cupertino Residents by Place of Work			Cupertino Workers by Place of Residence		
Place of Work	Employed Persons		Place of Residence	Employed Persons	
	Number	Percentage		Number	Percentage
Santa Clara County	21,330	87.2%	Santa Clara County	25,595	80.5%
San Jose	5,265	21.5%	San Jose	9,810	30.9%
Cupertino	5,060	20.7%	Cupertino	5,060	15.9%
Sunnyvale	2,805	11.5%	Sunnyvale	2,805	8.8%
Santa Clara	2,660	10.9%	Santa Clara	2,260	7.1%
Mountain View	1,645	6.7%	Mountain View	960	3.0%
Palo Alto	1,390	5.7%	Saratoga	940	3.0%
Milpitas	555	2.3%	Campbell	825	2.6%
Campbell	365	1.5%	Los Altos	525	1.7%
Los Altos	360	1.5%	Palo Alto	505	1.6%
Other Cities	490	2.0%	Other Cities	1,355	4.3%
Unincorporated	735	3.0%	Unincorporated	550	1.7%
All Other Locations	<u>3,120</u>	<u>12.8%</u>	San Mateo County	1,690	5.3%
Total	24,450	100.0%	Alameda County	1,355	4.3%
			San Francisco	1,335	4.2%
			All Other Locations	<u>1,810</u>	<u>5.7%</u>
			Total	31,785	100.0%

Notes:

(a) The American Community Survey (ACS) data used for the most recent Census Transportation Planning Package (CTPP) uses demographic estimates based on statistical sampling conducted between 2006-2008. Data is reported for workers age 16 and over.

Sources: 2006-2008 Census Transportation Planning Package; ACS, 2006-2008; BAE, 2013.

Implications for General Plan Amendment

- Cupertino's strong demographics –families with high incomes—constitutes a strong base of potential support for renovated or new retail facilities.
- The city has relatively few younger households and singles, indicating potential support for smaller residential units (both for-sale and rental).
- Cupertino's excellent public schools will continue to be a major driver of demand for new residential development and helps moderate adverse impacts of recessionary economic conditions.
- While there are approximately 31,800 jobs in Cupertino, there are approximately 5,100 residents in the city who also work in Cupertino, indicating a net inflow of approximately 26,700 workers into the community who will make convenience retail expenditures.

EMPLOYMENT TRENDS

Cupertino is a strong employment location with a net inflow of workers from other cities. To the extent that Cupertino residents work outside of the city and residents from other areas work in Cupertino, the city's daytime population differs from its resident population. The following section provides information on major employers in Cupertino as well as on occupation, employment industry, age, income, race, and ethnicity of people employed in Cupertino, based on data from the U.S. Census ACS. Data on age, income, race, and ethnicity are drawn from the US Census Transportation Planning Package (CTPP). The most current data provided by CTPP is based on ACS data collected between 2006 and 2008.

Major Employers

According to the 2012 Comprehensive Annual Financial Report for Cupertino, Apple Inc. was the largest employer in the city, with approximately 13,000 employees. The number of people employed at Apple Inc. was more than four times the number of people employed at the city's second largest employer, Hewlett-Packard, and far surpassed the number of people employed at the remaining eight largest employers in the city.

As shown in Table 8, the ten top employers in Cupertino in 2012 consisted primarily of tech companies, educational institutions, and healthcare services, followed by Target. In addition to Apple Inc., tech companies among the city's ten largest employers included Hewlett-Packard, Chordiant Software (a company providing customer relationship management software and services), and Trend Micro Inc. (an Internet content security and threat management provider). Although these are the largest tech companies in Cupertino, large tech companies such as these tend to create clusters of other high-tech firms, spin-off companies, and support services for the industry, as documented extensively in several academic studies. This suggests that the presence of these large high-tech companies in Cupertino leads other companies to seek out locations in Cupertino, creating demand for office development, which will be discussed in further detail in later sections of this analysis.

Major employers among education providers consisted of Cupertino Union School District, Fremont Union School District, and the De Anza School District. Both of the healthcare services included among the city's top ten employers in 2012 were located at senior living communities in Cupertino.

Table 8: Principal Employers in Cupertino, 2012

Employer	Number of Employees
Apple Inc.	13,000
Hewlett-Packard	3,000
Cupertino Union School District	1,474
Foothill/DeAnza Community College District	1,291
Fremont Union High School District	846
Chordiant Software	285
Trend Micro Inc.	250
Health Care Center at The Forum	250
Target Stores	220
Cupertino Healthcare and Wellness	180

Source: City of Cupertino, Comprehensive Annual Financial Report, 2012; BAE, 2013.

Jobs by Occupation and Industry

Table 9 provides data on occupation and industry for jobs located in Cupertino, Santa Clara County, and Bay Area based on data from the ACS. These data represent jobs for which the workplace is located in Cupertino, rather than jobs held by Cupertino residents. As shown, employment in Cupertino is concentrated in management, business, science, and arts occupations, which represented 61 percent of all jobs in the city. Compared to the county and region, Cupertino had a small share of jobs in all other occupational categories, particularly natural resources, construction, and maintenance occupations and production, transportation, and material moving occupations.

ACS data indicate that manufacturing was the largest employment industry in Cupertino, representing 29 percent of employment, followed by the professional, scientific, management, and administrative services industry, which represented 20 percent of employment. Cupertino also has significant employment in the educational services, health care, and social assistance industry, which represented 17 percent of employment in the city. These three industries were also the three largest employment industries in Santa Clara County and the Bay Area; however, employment in Cupertino was more heavily concentrated in manufacturing and less concentrated in educational services, healthcare, and social assistance than employment in the county and region overall. The significant share of manufacturing employment in Cupertino is due to employers in high-tech fields, including Apple Inc. and Hewlett-Packard, which are typically classified as companies in the computer and electronics manufacturing industry. A large share of high-tech employment in Cupertino, including management, science, and service occupations, is classified within the manufacturing industry, despite that the production-related occupations associated with these companies are usually located elsewhere.

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Table 9: Occupation and Industry by Workplace Location (a)

Occupation	Cupertino		Santa Clara County		Bay Area (b)	
	Number	% Total	Number	% Total	Number	% Total
Management, Business, Science, Arts	20,595	61.1%	477,903	51.4%	1,555,527	44.5%
Service	4,105	12.2%	125,374	13.5%	562,082	16.1%
Sales & Office	6,778	20.1%	189,905	20.4%	803,382	23.0%
Natural Resources, Construction, Maintenance	932	2.8%	66,107	7.1%	270,826	7.8%
Production, Transportation, Material Moving	1,308	3.9%	70,349	7.6%	294,168	8.4%
Military Specific Occupations	0	0.0%	314	0.0%	7,205	0.2%
Total	33,718	100.0%	929,952	100.0%	3,493,190	100.0%

Industry	Cupertino		Santa Clara County		Bay Area (b)	
	Number	% Total	Number	% Total	Number	% Total
Agriculture, Forestry, Fishing, Hunting, Mining	15	0.0%	5,043	0.5%	28,268	0.8%
Construction	682	2.0%	52,694	5.7%	220,419	6.3%
Manufacturing	9,615	28.5%	188,174	20.2%	401,668	11.5%
Wholesale Trade	640	1.9%	21,401	2.3%	94,859	2.7%
Retail Trade	4,066	12.1%	86,783	9.3%	355,806	10.2%
Transportation, Warehousing, Utilities	432	1.3%	24,811	2.7%	153,952	4.4%
Information	820	2.4%	39,201	4.2%	118,484	3.4%
Finance, Insurance, Real Estate	1,635	4.8%	44,797	4.8%	254,412	7.3%
Professional, Scientific, Mgmt., Admin	6,633	19.7%	166,734	17.9%	559,572	16.0%
Educational Svcs., Health Care, Social Assistance	5,810	17.2%	175,875	18.9%	697,029	20.0%
Arts, Entertainment, Rec, Accomod., Food Svcs.	2,198	6.5%	62,436	6.7%	293,275	8.4%
Other Svcs., Except Public Administration	724	2.1%	36,184	3.9%	168,971	4.8%
Public Administration	448	1.3%	25,064	2.7%	132,726	3.8%
Armed Forces	0	0.0%	755	0.1%	13,749	0.4%
Total	33,718	100.0%	929,952	100.0%	3,493,190	100.0%

Note:

(a) The American Community Survey (ACS) data used in this table is based on statistical sampling conducted between 2007-2011. Data are reported for workers age 16 & older.

Sources: ACS, 2007-2011; BAE, 2013.

Worker Age Distribution

Similar to Cupertino residents, people employed in Cupertino consist of a smaller share of people between age 21 and 34 than people employed in Santa Clara County overall. As shown in Table 10, CTPP data indicate that 24 percent of people employed in Cupertino were between age 21 and 34, compared to 28 percent in the county, and a higher proportion of workers between age 35 and 59 (65 percent in the city and 60 percent in the county). The comparative shortage of employees in younger age groups suggests a potential need for housing in Cupertino that is targeted to workers between the ages of 21 and 34, including small, affordable multifamily units in an amenity-enriched environment, to attract a younger workforce to the city.

Table 10: Employee Age Distribution (a)

Age Cohort	Cupertino		Santa Clara County	
	Number	Percent	Number	Percent
16 to 17 years	470	1.5%	6,890	0.7%
18 to 20 years	955	3.0%	30,750	3.3%
21 to 24 years	1,180	3.7%	60,950	6.6%
25 to 34 years	6,340	19.9%	200,180	21.5%
35 to 44 years	10,130	31.9%	257,355	27.7%
45 to 59 years	10,495	33.0%	300,325	32.3%
60 to 64 years	1,165	3.7%	43,655	4.7%
65 to 74 years	830	2.6%	25,395	2.7%
75 years and older	<u>220</u>	<u>0.7%</u>	<u>4,250</u>	<u>0.5%</u>
Total (b)	31,785	100.0%	929,745	100.0%
Median Age	41.9		41.5	

Notes:

(a) The American Community Survey (ACS) data used for the most recent Census Transportation Planning Package (CTPP) uses demographic estimates based on statistical sampling conducted between 2006-2008. Data is reported for workers age 16 and over.

(b) Totals may not sum due to independent rounding of categories.

Sources: 2006-2008 Census Transportation Planning Package; ACS, 2006-2008; BAE, 2013.

Worker Income

Workers employed in Cupertino tend to have higher earnings than workers employed in Santa Clara County overall. Table 11 shows worker earnings during the past 12 months for people employed in Cupertino and Santa Clara County, based on CTPP data. As shown, median earning for workers employed in Cupertino was \$81,000 per year (in 2013 dollars), while median earnings in Santa Clara County (\$57,000 in 2013 dollars) was only 70 percent of the Cupertino median. The disparity in incomes between the city and county is reflected throughout the earnings distribution for workers (expressed in 2008 dollars), which shows that Cupertino has a smaller proportion of workers in all income brackets under \$65,000 per year and a higher proportion of workers in all higher income brackets. Inflated to 2013 dollars, \$65,000 in 2008 dollars is equal to approximately \$71,600. More than one third of all workers in Cupertino (37 percent) had an income over \$100,000 (\$110,200 in 2013 dollars), compared to less than one quarter (24 percent) of workers in Santa Clara County.

Table 11: Worker Earnings in the Past 12 Months (a)

Annual Earnings (b)	Cupertino		Santa Clara County	
	Number	Percent	Number	Percent
No earnings in the past 12 months	0	0.0%	215	0.0%
\$1 to \$9,999 or less	2,825	8.9%	87,060	9.4%
\$10,000 to \$14,999	1,335	4.2%	50,470	5.4%
\$15,000 to \$24,999	2,540	8.0%	102,480	11.0%
\$25,000 to \$34,999	2,350	7.4%	95,885	10.3%
\$35,000 to \$49,999	2,690	8.5%	117,635	12.7%
\$50,000 to \$64,999	2,635	8.3%	101,810	11.0%
\$65,000 to \$74,999	1,765	5.6%	47,230	5.1%
\$75,000 to \$99,999	3,910	12.3%	105,415	11.3%
\$100,000 or more	<u>11,735</u>	<u>36.9%</u>	<u>221,545</u>	<u>23.8%</u>
Total (c)	31,785	100.0%	929,745	100.0%
Median Annual Earnings (d)	\$81,087		\$56,912	
Cupertino as Percent of County	142.5%			

Notes:

(a) The American Community Survey (ACS) data used for the most recent Census Transportation Planning Package (CTPP) uses demographic estimates based on statistical sampling conducted between 2006-2008. Data is reported for workers age 16 and over.

(b) Figures in distribution are shown in 2008 dollars.

(c) Totals may not sum due to independent rounding of categories.

(d) Median annual earnings are inflated to 2013 dollars.

Sources: 2006-2008 Census Transportation Planning Package; ACS, 2006-2008; BAE, 2013.

Worker Ethnicity

CTPP data indicate that people that work in Cupertino differ from workers in Santa Clara County overall and from Cupertino residents with respect to racial and ethnic background. Compared to workers in Santa Clara County overall, a large proportion of workers in Cupertino is White (49 percent) or Asian (34 percent) and small proportion is Hispanic or Latino (12 percent) or Black or African American (two percent), as shown in Table 12. Despite the relatively large portion of Asian individuals employed in Cupertino, these data demonstrate a small proportion of Asian employees given that almost two thirds of Cupertino residents are of Asian descent (as shown in Table 3 and discussed above). The difference in racial and ethnic background between Cupertino residents and people employed in Cupertino suggests a need to maintain diverse retail options in the city to capture demand from local workers as well as residents.

Table 12: Worker Race and Ethnicity (a)

Race & Ethnicity	Cupertino		Santa Clara County	
	Number	Percent	Number	Percent
Hispanic or Latino	3,945	12.4%	218,990	23.6%
Not Hispanic or Latino	27,835	87.6%	710,755	76.4%
White	15,515	48.8%	395,040	42.5%
Black or African American	535	1.7%	26,090	2.8%
Asian	10,950	34.5%	265,735	28.6%
All Other Races & Two or More Races	840	2.6%	23,895	2.6%
Total (b)	31,785	100.0%	929,745	100.0%

Notes:

(a) The American Community Survey (ACS) data used for the most recent Census Transportation Planning Package (CTPP) uses demographic estimates based on statistical sampling conducted between 2006-2008. Data is reported for workers age 16 and over.

(b) Totals may not sum due to independent rounding of categories.

Sources: 2006-2008 Census Transportation Planning Package; ACS, 2006-2008; BAE, 2013.

Implications for General Plan Amendment

- As the city's largest employer with over 13,000 employees, Apple Inc. impacts the demand for office space in Cupertino through its own internal growth and acquisitions, attraction of firms doing business with Apple, as well as through spin-offs and start-ups established by Apple Inc. employees.
- The ethnic profile of workers in Cupertino is different than the profile for the resident population. While the resident population in the city is over 63 percent of Asian ethnicities, just under 35 percent of workers are of Asian ethnicities. Compared to the city's residential population, a larger percent of workers are of non-Hispanic white and Hispanic or Latino race and ethnicity. This suggests that retail in Cupertino must cater to a more diverse base of customers than reflected by the city resident profile alone.
- Overall, Cupertino has a highly compensated workforce that provides a strong base of potential demand for housing closer to work and for retail sales during the

GENERAL PLAN AMENDMENT – MARKET STUDY

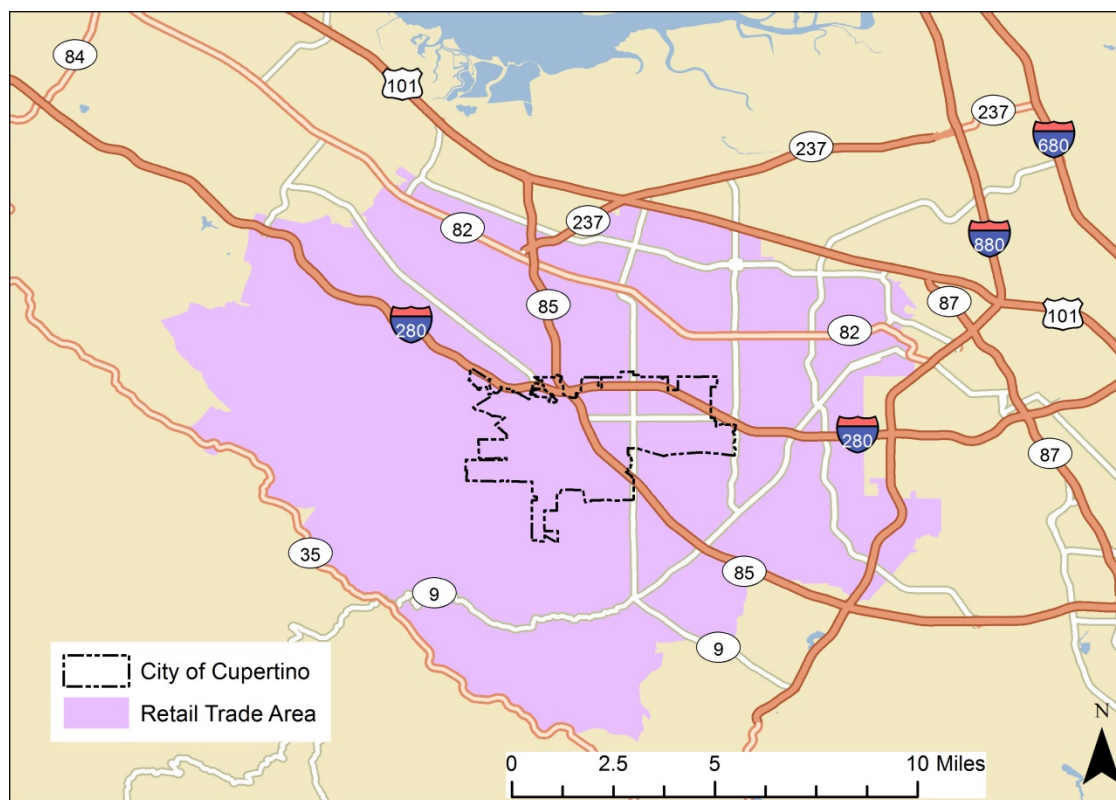
workday, although potential retail support is somewhat tempered by onsite food service and other amenities offered by major employers such as Apple Inc. However, the General Plan Amendment should make the city attractive to younger workers by providing more affordable housing in smaller units.

RETAIL SALES AND LEAKAGE ANALYSIS

This section of the market study for the Cupertino General Plan Amendment examines retail sales conditions in Cupertino, its Retail Trade Area, and the surrounding region. The purpose of the analysis is to identify potential market support for new or repurposed retail development in the seven study areas that can be later used to evaluate the commercial development allocations under the city's General Plan. The data presented here and in the Retail Market Overview are also used as foundational information for the separate Retail Strategy Report prepared by Greensfelder Commercial Real Estate LLC.

Data for the city and the Retail Trade Area are presented, along with comparative data from Santa Clara County and California. For the purposes of this analysis, the Retail Trade Area (RTA) is defined as the area which is easily accessible for Cupertino residents. The RTA was generally defined by taking a ten-minute drive time from Cupertino (specifically, from the Vallco Shopping Mall), and grouping together the Zip Codes within that ten-minute drive time. Additionally, areas roughly to the east of Interstate 880 in San Jose have been excluded. Figure 3 shows the boundaries of the RTA.

Figure 3: Cupertino and the Retail Trade Area



See Appendix for listing of Zip Codes making up the Retail Trade Area.

Source: BAE, 2013.

The goal of the leakage analysis for the city is to identify the relative strength of the city's retail sectors. Using the city boundary in doing a leakage analysis is somewhat arbitrary, since the city is surrounded by other cities with considerable retail development and is not set apart from other locales by physical boundaries such as hills or water. As a result, the city boundary does not represent a constraint on Cupertino residents shopping elsewhere or non-residents shopping in Cupertino. However, a leakage analysis for the city can show sectors where the city might have an opportunity to capture more sales locally from its residents and employees (while perhaps also attracting shoppers from nearby areas).

To provide context, a leakage analysis for the larger RTA should indicate the level of shopping opportunities available to Cupertino residents even if certain types of stores and goods are not present in the city. Furthermore, the presence of these stores nearby and their ability to attract city residents and workers may act as a constraint on Cupertino's ability to attract additional retail development even if the analysis indicates that city residents and workers are not purchasing goods within Cupertino itself.

The primary source of information on general retail expenditures in California is the taxable retail sales data published by the State Board of Equalization (SBOE). SBOE publishes *Taxable Sales in California*, a quarterly and annual publication that reports taxable sales by major store categories by city and county. With adjustments made to take into account nontaxable sales such as food and prescriptions, this source usually offers the best baseline data for jurisdictions for which it is available. Beginning in 2009, SBOE used a new categorization of businesses that makes comparisons over time problematic, but some general statements about the overall level of retail sales can still be made.

In Cupertino, data analysis is faced with the additional issue that taxable sales generated by Apple make up a disproportionate share of the total. According to *Economic and Fiscal Impacts Generated by Apple in Cupertino – Current Facilities and Apple Campus 2*,⁵ Apple Inc. accounts for \$1.3 billion in taxable sales in Cupertino in 2012, which provides 45 percent of the city's sales tax revenues. These sales consist of online merchandise sales where Cupertino is the point of sale, sales at the Apple Company Store, taxable sales of cafeteria food and other items to employees, and use taxes paid by Apple for equipment imported from out of state for its own internal use in Cupertino. Additionally, SBOE's home furnishings and appliances category (which includes computer and electronics retailers) is not disclosed and garners a disproportionate share of sales relative to Cupertino's, thus making use of the taxable sales data in any leakage analysis problematic.

⁵ Keyser Marston Associates, May 2013, prepared for Apple Inc.

Furthermore, SBOE does not provide data for portions of cities, and the RTA does not follow city boundaries, particularly for San Jose, which extends far beyond the defined RTA.

Because of these limitations with SBOE data for Cupertino and the RTA, the leakage analysis itself utilizes retail sales estimates based on 2011 Zip Code and County Business Patterns employment data benchmarked to data on sales per employee from the 2007 Economic Census, with adjustments by category made based on crosschecks with SBOE data and to reflect more current conditions as needed. Use of this source also allows for a more fine-grained level of analysis by store type.

Estimated Retail Sales in Cupertino and the RTA by Major Retail Category

As noted above, because of disclosure issues, the level of detail available for Cupertino in SBOE data is insufficient for the analysis here and the analysis would not be possible for the RTA utilizing SBOE data, so to compare actual expenditures in Cupertino and RTA retail outlets with potential expenditures by store category, an alternative estimate methodology for estimating sales for the two geographies has been developed. This point-in-time estimate can then cover all store categories in a way not possible based on SBOE data. For comparative purposes and as a benchmark, similar estimates have been derived for Santa Clara County and California. As noted above, these estimates have been derived using the most recent available data from the Census of Retail Trade and County and Zip Code Business Patterns. These estimates provide point-in-time data for Cupertino and the RTA by detailed retail category. Further explanation of the methodology can be found in Appendix D and in the footnotes for Table 13.

For the purposes of the analysis here, the estimated retail sales have been grouped into eleven categories, corresponding to major 3-digit NAICS retail categories:

- Motor Vehicle and Parts Dealers
- Home Furnishings and Appliance Stores
- Bldg. Materials and Garden Equipment and Supplies
- Food and Beverage Stores
- Health and Personal Care Stores
- Gasoline Stations
- Clothing and Clothing Accessories Stores
- Sporting Goods, Hobby, Book, and Music Stores
- General Merchandise Stores⁶

⁶ Includes stores that sell a broad range of merchandise. Examples include traditional department stores such as Macy's, discount department stores such as Walmart, and warehouse stores such as Costco.

- Miscellaneous Store Retailers
- Food Services and Drinking Places⁷

Sales at non-store retailers (e.g., electronic online sales, mail order, and auction houses) are excluded from the analysis, as are sales occurring at non-retail outlets. This effectively factors Apple's sales out of the analysis.

As shown in Table 13, retail sales for the city for 2011 are estimated at approximately \$615 million (all sales presented in inflation-adjusted 2013 dollars unless otherwise noted).⁸ The three largest categories are food and beverage stores at 27 percent of sales, food services and drinking places at 22 percent, and general merchandise stores at 20 percent. These three sectors are disproportionately large in Cupertino relative to the county, or the state. Cupertino has very limited sales in the automotive sector. Retail sales in the RTA for 2011 are estimated at approximately \$9.1 billion; the three largest store categories are motor vehicles and parts (22 percent), food and beverage (17 percent) and food services and drinking places (14 percent). The retail mix is generally much more in balance relative to the county and the state, with the exception of the motor vehicle and parts sector at 22 percent versus 17 percent for the county and 18 percent for the state.

The leakage analysis below will provide a clearer picture of the city's retail strengths and weaknesses, but per capita sales comparisons by category are a first indicator of strengths and weaknesses in Cupertino's retail sector. On a per capita basis, Cupertino's 2011 retail sales at \$10,483 annually are low compared to \$13,404 for the county and \$12,493 for California. Several sectors have per capita sales at less than half of the level of the county overall; the automotive sector is at only six percent of county, and three other sectors (electronics and appliance stores, building materials and garden equipment and supplies, and miscellaneous store retailers) are at less than half of countywide per capita sales levels. Four sectors (food and beverage stores, gasoline stations, general merchandise stores, and food services and drinking places) have per capita sales that exceed Santa Clara County levels.

In contrast to Cupertino, the RTA overall had much higher 2011 per capita sales (\$15,807) than either the county or the state. Only two major retail sectors, clothing and clothing accessory stores and general merchandise stores, had per capita sales below countywide levels. This indicates that overall, the RTA as a whole has a strong retail sector with a broad range of shopping opportunities accessible to Cupertino residents.

⁷ This category includes all types of restaurants, as well as catering services.

⁸ It is important to note this includes non-taxable sales.

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Table 13: Total Estimated 2011 Retail Sales

Sales in 2013 \$000 (a)	Cupertino	Retail Trade Area	Santa Clara County	California
Motor Vehicle and Parts Dealers	\$8,000	\$1,968,000	\$4,199,000	\$85,256,000
Furniture and Home Furnishings Stores	\$14,000	\$180,000	\$516,000	\$10,476,000
Electronics and Appliance Stores	\$14,000	\$474,000	\$1,200,000	\$15,105,000
Bldg. Matrl. and Garden Equip. and Supplies	\$13,000	\$572,000	\$1,604,000	\$29,169,000
Food and Beverage Stores	\$163,000	\$1,506,000	\$4,102,000	\$81,925,000
Health and Personal Care Stores	\$34,000	\$412,000	\$1,135,000	\$25,280,000
Gasoline Stations	\$52,000	\$671,000	\$1,534,000	\$41,495,000
Clothing and Clothing Accessories Stores	\$40,000	\$576,000	\$2,105,000	\$33,993,000
Sporting Goods, Hobby, Book, and Music Stores	\$16,000	\$314,000	\$586,000	\$8,968,000
General Merchandise Stores	\$126,000	\$870,000	\$2,818,000	\$60,903,000
Miscellaneous Store Retailers	\$2,000	\$237,000	\$555,000	\$11,385,000
Food Services and Drinking Places	\$133,000	\$1,305,000	\$3,697,000	\$63,640,000
Retail Outlets Total	\$615,000	\$9,085,000	\$24,051,000	\$467,595,000

Sales per Capita in 2013 \$	Cupertino	Retail Trade Area	Santa Clara County	California
Motor Vehicle and Parts Dealers	\$136	\$3,424	\$2,340	\$2,278
Furniture and Home Furnishings Stores	\$239	\$313	\$288	\$280
Electronics and Appliance Stores	\$239	\$825	\$669	\$404
Bldg. Matrl. and Garden Equip. and Supplies	\$222	\$995	\$894	\$779
Food and Beverage Stores	\$2,778	\$2,620	\$2,286	\$2,189
Health and Personal Care Stores	\$580	\$717	\$633	\$675
Gasoline Stations	\$886	\$1,167	\$855	\$1,109
Clothing and Clothing Accessories Stores	\$682	\$1,002	\$1,173	\$908
Sporting Goods, Hobby, Book, and Music Stores	\$273	\$546	\$327	\$240
General Merchandise Stores	\$2,148	\$1,514	\$1,570	\$1,627
Miscellaneous Store Retailers	\$34	\$412	\$309	\$304
Food Services and Drinking Places	\$2,267	\$2,271	\$2,060	\$1,700
Retail Outlets Total	\$10,483	\$15,807	\$13,404	\$12,493

2011 Population (b)	58,665	574,741	1,794,337	37,427,946
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Notes:

Notes:
Sales estimates were initially generated using 2011 Zip Code and County Business Patterns employment data along with per-employee sales data by detailed NAICS code from the 2007 Economic Census. These numbers by major category above were then cross-checked against SBOE data and 2007 Economic Census data where available to confirm, with adjustments made as indicated by inconsistencies between the sources. Because of differences in categorization schemes, data by category may not be directly comparable to SBOE numbers presented elsewhere. 2011 represents most recent data available at time of analysis. Cupertino data based on Zip Codes, and includes some areas outside the city; however, these areas are largely unpopulated. RTA data also based on Zip Codes per discussion in text.

(a) Retail sales have been adjusted to 2013 dollars based on the Bay Area and California Consumer Price Index calculated by the California Department of Industrial Relations (based on data from the Bureau of Labor Statistics) for California, and the Bay Area Consumer Price Index from the U.S. Bureau of Labor Statistics for the city and county. Total sales estimates are rounded to nearest million \$.

(b) Population from CA State Dept. of Finance, except for Retail Trade Area. RTA population is based on Nielsen estimates for 2010 and 2013, assuming constant percentage growth over the period.

Sources: 2010 U.S. Census; U.S. Census of Retail Trade, 2007; Zip Code and County Business Patterns, 2010; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; Nielsen MarketPlace; BAE, 2013.

Trends in Retail Sales

The following section presents historic data on retail sales by major store/outlet category, to supplement the single-year estimate provided in the previous section and provide an overview of longer-term trends. This summary relies on taxable sales data published by SBOE for Cupertino, Santa Clara County, and California.⁹ All data are presented in constant 2013 dollars, based on the Bay Area and California Consumer Price Indexes. The following trends discussion covers only taxable sales, not total sales. For example, food purchases, prescription drugs, and services (e.g., auto repair) are not taxable; as a result, the estimates shown here are lower than provided by the Zip Code data discussed above and used below in the leakage analysis, which estimates all sales in the retail sector. Nevertheless, the taxable sales data are the best available indicator of retail sales trends by major store category over a period of years, even though they do not provide complete coverage of all sales in the retail sector.

Because of the reclassification of businesses by SBOE beginning with 2009, it is difficult to consistently track retail sales by major store category across a longer period with the published data. Even a time series for overall retail sales is not necessarily accurate, as some businesses were moved out of retail and into the “all other outlets” category. As a result, retail sales by major category are discussed for the 2000 to 2008 period, and then separately for 2009 and later. The most recently SBOE-published data for the county and state were from 2011; an additional year (2012) was available for Cupertino based on data provided by City staff. This section first presents data from the county and California to provide context for the subsequent discussion of Cupertino itself.

California

As shown in Figure 4, taxable retail sales levels for California were relatively flat from 2000 through 2002. Statewide sales then increased gradually through 2005, with declines since that year. Inflation-adjusted estimated sales of \$386 billion for 2008 were below 2000 levels (also inflation-adjusted), even as the population of the state increased by eight percent in the same period. In 2009, total inflation-adjusted taxable retail sales for the state were reported at \$337 billion, indicating a further decline.¹⁰ Sales have increased modestly since that time, to \$370 billion in 2011.

⁹ Because the RTA includes portions of cities (especially San Jose), there are no published SBOE data available.

¹⁰ The reclassification of businesses in 2009 makes it possible that some of the change between 2008 and 2009 is due to businesses formerly classified as retail now being excluded from that group.

Figure 4: California Taxable Retail Sales Trends, 2000-2011

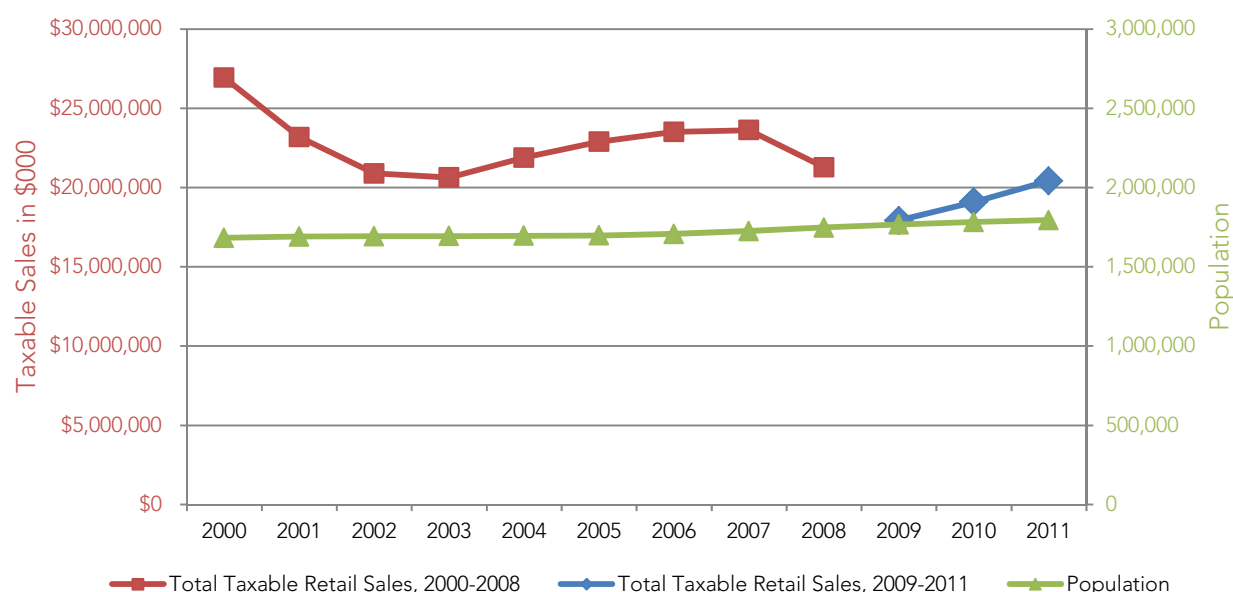


Note: All sales shown are in 2013 dollars. For details, see Appendix B.
 Source: BAE 2013, based on sources as noted in Appendix B.

Santa Clara County

Unlike statewide trends, Santa Clara County showed a pattern of considerable taxable retail sales declines early in the last decade during the “dot-com” bust which impacted the local economy considerably. This was followed by a mid-decade increase that was sustained longer than for the state, followed by another decline between 2007 and 2009 as the recession took hold. Sales have rebounded since 2009, but on an inflation-adjusted basis, sales are still below the 2000 levels of almost \$27 billion in annual taxable retail sales. In 2011 taxable retail sales were approximately \$20 billion countywide (see Figure 5).¹¹

Figure 5: Santa Clara County Taxable Retail Sales Trends, 2000-2011



Note: All sales shown are in 2013 dollars. For details, see Appendix B.

Source: BAE 2013, based on sources as noted in Appendix B.

Cupertino

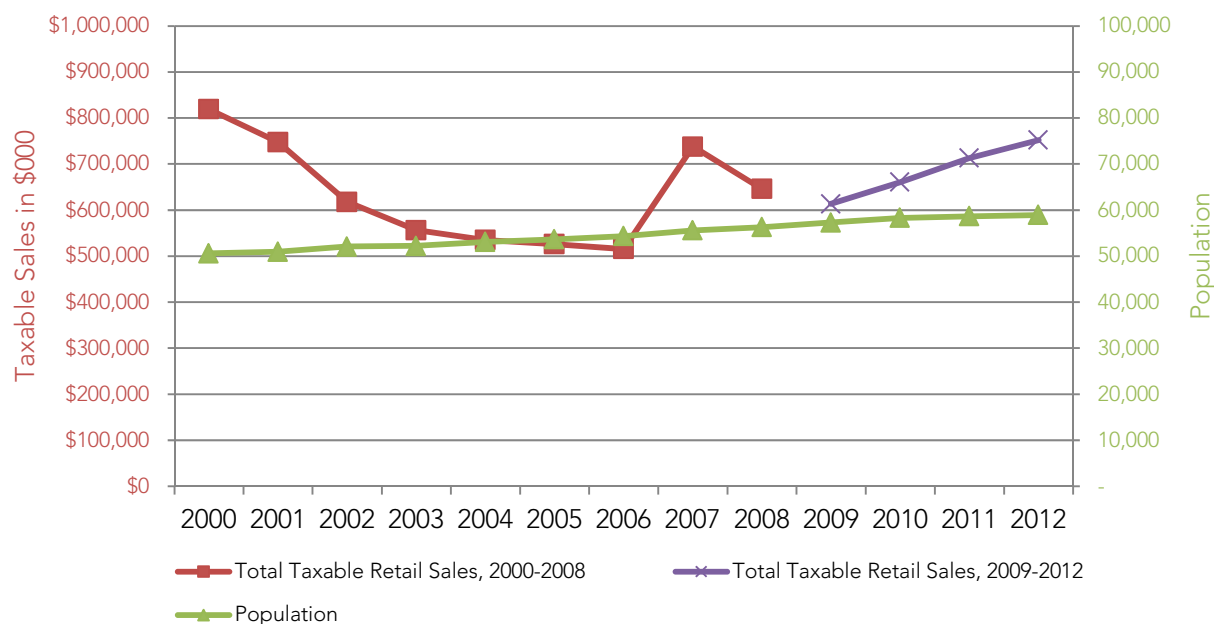
From 2000 through 2003, taxable retail sales trends in Cupertino followed countywide trends, with a sharp decline following the dot-com bust (see Figure 6). However, while county sales overall began to recover in 2004, Cupertino's taxable retail sales continued their slide through 2006. In 2007, Cupertino experienced an unusual jump in sales, with a decline again in 2008 to \$646 million, well below the \$819 million in 2000 (all in 2013 dollars). The large increase in 2007 was concentrated in the other retail stores category, which at that time included computer and software stores.¹² Since 2008, taxable retail sales have been increasing in Cupertino at a faster

¹¹ Because of the reclassification of businesses in 2009, it is possible that some of the change between 2008 and 2009 is due to businesses formerly classified as retail now being excluded from that group.

¹² The SBOE reclassification in 2009 moved this retail store type into the home furnishings and appliances category. Further discussion of the retail mix by major store category in Cupertino can be found below.

rate than statewide or countywide, with overall taxable retail sales reaching \$752 million in 2012, which is still below 2000 levels on an inflation-adjusted basis.

Figure 6: Cupertino Taxable Retail Sales Trends, 2000-2012



Note: All sales shown are in 2013 dollars. For details, see Appendix B.

Source: BAE 2013, based on sources as noted in Appendix B.

Much of the long-term decline in taxable retail sales was in the general merchandise store sector (see Appendix B for detailed data by major sector). Between 2000 and 2008, this sector's sales declined by over 40 percent. While figures from 2009 and later are not directly comparable to prior years (e.g., drug stores were moved from this category into other retail), the decline has continued even as overall retail sales levels have recovered. The major stores in this sector include Target and the three Vallco Shopping Mall anchor stores. Apparel stores, another tenant typically found in fashion malls, have also seen a sales decline over time.

Sales in the automotive sector, while relatively small even in 2000, dropped 94 percent by 2012. Food store sales have remained relatively stable over time, as grocery purchases as an everyday need are less vulnerable to overall changes in the economy. The restaurant sector (food services and drinking places) has fluctuated along with the overall economy over time, but has recovered to higher-than-2000 sales levels.

Leakage Analysis

Overview of Methodology

Retail leakage and injection analysis compares actual retail sales in an area with some benchmark that provides a measure of the potential sales generated by that area's residents and workers. If sales levels are below the predicted level, the area may be able to support increased sales, either through the opening of new outlets targeting those leakages or a repositioning of existing outlets through changes in strategy and marketing, merchandise mix, or store configuration such that they could capture a portion of that leakage.

A lower-than-predicted sales volume is a strong indicator that local consumers are buying goods outside the area; thus, the sales are “leaking” out of the area. Conversely, if the area shows more sales than would be expected from the area's characteristics, there are sales “injections” into the area. Often, an injection of sales indicates that the area is serving as the regional shopping destination for a broader area. On the other hand, if an area shows substantial leakage, it may be due to the presence of a region-serving retail node outside but near the area capturing those “leaked” sales.

There are a number of factors that can be used to predict sales levels, with the two most important factors being the number of persons in the area and the disposable income available to that population. Additional factors influencing retail spending in an area include household type, age of population, number of workers in the area (i.e., daytime population), tourism expenditures, tenure patterns (owner vs. renter), and cultural factors.

As noted above, Cupertino has overall per capita sales below county and statewide levels, while the RTA has overall per capita sales above those levels. This alone, however, does not indicate that the city is necessarily leaking sales to other locales, or that the RTA is capturing sales. For example, resident and worker shopping patterns may vary due to consumer preferences as well as the retail options available locally.

Retail Sales in Cupertino and the RTA

The estimated annual retail sales have been derived from Table 13 above, updated to 2013 estimates based on population growth, and are shown in Table 14 and Appendix C.

Retail Demand from Residents

To better determine the levels of leakages and injections for Cupertino and the RTA, this study used Nielsen Retail Market Potential Opportunity Gap (RMP) information for the two geographies and for Santa Clara County (to use for benchmarking purposes). This report estimates retail demand based on the Consumer Expenditure Survey, a national survey conducted for the Department of Labor Bureau of Labor Statistics by the U.S. Census Bureau which measures consumer expenditures and provides data on differing spending patterns by age, income, ethnicity, and other variables. This source information is converted to expected

expenditures by store type, to obtain an estimate of demand by retail store category. BAE refined the RMP expenditure estimates based on actual expenditure patterns in Santa Clara County as reflected in total retail sales by major store category. The resulting per capita expenditure estimates are shown in Appendix C.

Retail Demand from Workers

In addition to the demand for retail goods generated by residents, persons working in a place also generate demand due to purchases near their place of work, especially meals eaten during the work day. When other shopping opportunities are also available nearby, workers often make other purchases during the day, or on the way to or from their job.

Cupertino has a large employment base, with a net inflow of workers into the city, since there are more persons working in the city than working residents. Aside from this net inflow, worker expenditures are basically a wash; demand generated by workers living in the city is already accounted for in the resident demand estimate, and the expenditures of workers commuting into the city are balanced by the expenditures of those commuting out.

However, the RTA shows a net outflow of workers, with less persons working in the area than working residents. This would indicate also a net outflow of retail expenditures, as RTA residents would be buying retail goods outside the area at a greater rate than the expenditures of the workers coming in.

Appendix F presents an estimate of the potential worker expenditures near the place of work for the net inflow of workers into Cupertino and the RTA. This estimate is derived based on *Office-Worker Retail Spending in the Digital Age*, based on a national survey of office workers conducted in 2011 by the International Council of Shopping Centers, as shown in Appendix E. This survey gathered information on weekly expenditures, which have been converted to annual expenditures and inflated to 2013 dollars.¹³

Overall, the net potential worker expenditures for Cupertino are estimated at approximately \$66 million annually. While this is a substantial number, the leakage analysis estimates potential resident expenditures of nearly \$900 million annually. For the RTA, the net outflow of workers is estimated to result in an outflow of retail spending totaling approximately \$78 million annually. Once again, this is a substantial number, but overall potential resident expenditures for the RTA are approximately \$8.4 billion annually.

¹³ While not all workers in Cupertino are office-based, many are, and the use of this survey as a proxy for all workers is reasonable. While some workers may have lower incomes and thus lower expenditures (e.g., retail/service workers), Cupertino office workers likely have relatively high incomes so overall the expenditures may balance out.

GENERAL PLAN AMENDMENT – MARKET STUDY

Once estimates of both resident and worker expenditures are combined, overall demand can then be compared to the estimated 2013 sales by major store category for Cupertino and the RTA. The results of this leakage analysis are summarized in Table 14, with detail on this analysis provided in Appendix C.

Table 14: Summary of Leakage Analysis

<u>Cupertino</u>	2013 Total Annual Retail Sales and Sales Potential in \$000				2013 Total Injection/ Total (Leakage)	Injection/ Leakage as % of Potential Sales
	Estimated Sales in Area	Estimated Resident Expenditures	Estimated Worker Expenditures	Estimated Total Potential Expenditures	\$000	
<u>Store Category</u>						
Motor Vehicle and Parts Dealers	\$8,130	\$138,535	\$0	\$138,535	(\$130,405)	-94%
Furniture and Home Furnishings Stores	\$14,228	\$21,031	\$0	\$21,031	(\$6,803)	-32%
Electronics and Appliance Stores	\$14,228	\$48,657	\$4,700	\$53,357	(\$39,130)	-73%
Bldg. Matrl. and Garden Equip. and Supplies	\$13,212	\$63,648	\$0	\$63,648	(\$50,436)	-79%
Food and Beverage Stores	\$165,653	\$147,859	\$11,300	\$159,159	\$6,494	4%
Health and Personal Care Stores	\$34,553	\$40,941	\$4,000	\$44,941	(\$10,388)	-23%
Gasoline Stations	\$52,847	\$54,756	\$0	\$54,756	(\$1,909)	-3%
Clothing and Clothing Accessories Stores	\$40,651	\$81,772	\$6,000	\$87,772	(\$47,121)	-54%
Sporting Goods, Hobby, Book, & Music Stores	\$16,260	\$23,440	\$1,800	\$25,240	(\$8,980)	-36%
General Merchandise Stores	\$128,051	\$105,661	\$17,100	\$122,761	\$5,290	4%
Miscellaneous Store Retailers	\$2,033	\$20,672	\$5,800	\$26,472	(\$24,439)	-92%
Food Services and Drinking Places	\$135,165	\$143,690	\$15,100	\$158,790	(\$23,625)	-15%
Total	\$625,012	\$890,661	\$65,800	\$956,461	(\$331,450)	-35%

Retail Trade Area

	2013 Total Annual Retail Sales and Sales Potential in \$000				2013 Total Injection/ Total (Leakage)	Injection/ Leakage as % of Potential Sales
	Estimated Sales in Area	Estimated Resident Expenditures	Estimated Worker Expenditures	Estimated Total Potential Expenditures	\$000	
<u>Store Category</u>						
Motor Vehicle and Parts Dealers	\$2,009,792	\$1,442,285	\$0	\$1,442,285	\$567,507	39%
Furniture and Home Furnishings Stores	\$183,822	\$194,905	\$0	\$194,905	(\$11,083)	-6%
Electronics and Appliance Stores	\$484,066	\$448,170	(\$5,600)	\$442,570	\$41,495	9%
Bldg. Matrl. and Garden Equip. and Supplies	\$584,147	\$592,208	\$0	\$592,208	(\$8,061)	-1%
Food and Beverage Stores	\$1,537,981	\$1,450,188	(\$13,400)	\$1,436,788	\$101,193	7%
Health and Personal Care Stores	\$420,749	\$405,514	(\$4,700)	\$400,814	\$19,935	5%
Gasoline Stations	\$685,249	\$552,556	\$0	\$552,556	\$132,693	24%
Clothing and Clothing Accessories Stores	\$588,232	\$756,103	(\$7,200)	\$748,903	(\$160,671)	-21%
Sporting Goods, Hobby, Book, & Music Stores	\$320,668	\$215,083	(\$2,200)	\$212,883	\$107,785	51%
General Merchandise Stores	\$888,475	\$1,006,780	(\$20,300)	\$986,480	(\$98,005)	-10%
Miscellaneous Store Retailers	\$242,033	\$201,196	(\$6,900)	\$194,296	\$47,737	25%
Food Services and Drinking Places	\$1,332,713	\$1,375,340	(\$18,000)	\$1,357,340	(\$24,628)	-2%
Total	\$9,277,926	\$8,640,329	(\$78,300)	\$8,562,029	\$715,897	8%

All sales and leakages are in 2013 dollars. For detail on methodology and sources, see Appendices D and I.

Sources: BAE, based on sources as noted in Appendix D.

Cupertino Leakage Analysis

As indicated by low overall per capita sales levels, Cupertino shows leakages of sales in most major store categories, as shown in Figure 7. Leakages are especially high for motor vehicle and parts dealers. Only two major categories, food and beverage stores and general merchandise stores, have injections of sales; general merchandise stores and food and beverage stores both show sales at four percent above the levels predicted by the combined estimated expenditures of city residents and the net inflow of workers.

The high leakages for the motor vehicle sector are directly related to the lack of new and used car dealers in Cupertino; the large cluster of auto dealers on Stevens Creek Boulevard in San Jose attracts shoppers from Cupertino and elsewhere, limiting the ability of Cupertino to capture more sales in this sector even if land were available to develop an auto retail mall/district.

The injections of sales for general merchandise, where the sales are primarily derived from Target and the three Vallco Shopping Mall anchors, is an indicator that even though the center is somewhat dated and underperforming relative to more upscale traditional malls such as Valley Fair or Stanford Mall, the anchor stores still function as a regional draw pulling shoppers in from outside the city, even though much of the inline store space in the mall is vacant.

The food and beverage store injections may result from the easy access and proximity to residents of other nearby cities for several of Cupertino's major supermarkets, including both Ranch 99 stores and the Safeway currently being reconstructed; these stores are either on or very close to Cupertino's borders and easily accessible to non-Cupertino residents. The other Asian-oriented food markets such as Marukai and Marina Foods may also act as regional draws.

While the leakages of sales for motor vehicle-related retail stand out for their size, there are also very high leakages of estimated Cupertino resident sales in several other categories. Including the motor vehicle sector these categories cover stores selling what are commonly referred to as "comparison goods" which are goods that consumers do not purchase on a frequent (e.g., daily or weekly) basis, and for which consumers are more likely to compare price, quality, and features than they might for everyday items. The types of stores selling these goods often fit the definition of "destination" retail, where the decision to go to the store is based on a desire or need to spend more time shopping, and where the shopping "experience" is key and may involve an entertainment or dining component. Shoppers are often willing to travel a greater distance for this kind of shopping, at centers such as a mall, an outlet center, an upscale downtown area with a unique array of shops, or a large store such as a Bass Pro Outlet sporting goods store.

The specific categories other than motor-vehicle-related retail showing leakages of 50 percent or greater are electronics and appliance stores; building materials and garden equipment and supplies stores, clothing and clothing accessories stores, and miscellaneous store retailers, a

catch-all category that includes a variety of retail outlet types including florists, office supply stores, pet stores, and gift shops.

The limited local sales in the building materials group are linked to the lack of a major home improvement store or hardware store such as Home Depot, Lowe's, or Orchard Supply Hardware in the city (and the presence of a Home Depot just south of the city on South De Anza Boulevard in San Jose).

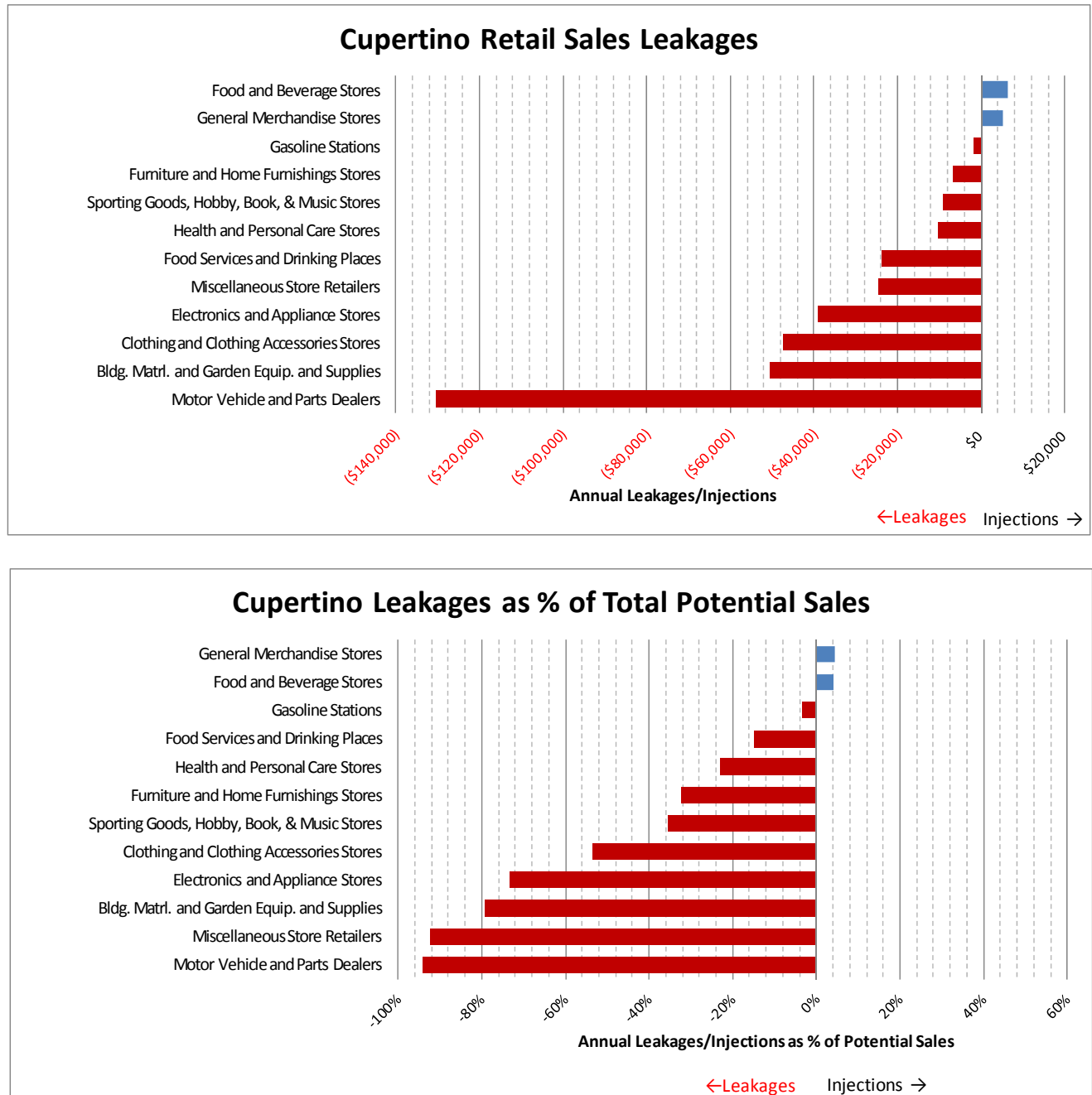
There are also no major electronics or appliance stores such as Best Buy or Fry's in Cupertino, although Sears (in the general merchandise store category) carries a large variety of appliances and may capture a larger share of resident expenditures that would otherwise occur in stores dedicated to electronics and appliances.

The limited clothing and apparel-related store sales is due in part to the lack of destination retail centers in Cupertino, with the exception of the Vallco Shopping Mall. That center has suffered from competition with Valley Fair and other centers such that an entire level of the standalone smaller shops has been closed off, in turn limiting the ability of the center to reach a critical mass of shoppers necessary to support apparel retailers necessary to attract more shoppers. The lack of apparel-related retail may also lead to shoppers substituting purchases of clothing at the three large general merchandise stores in the city, which could lead to some of the calculated "injections" in that major retail store category.

In summary, Cupertino has relatively strong sales in stores selling everyday items, such as food stores and drug stores. General merchandise stores, which sell a mix of everyday and comparison goods, are performing well due to the presence of three mall department stores and one discount department store. Stores specializing in other types of comparison goods, however, are lacking in the city; with the exception of the Vallco Shopping Mall, most of the retail in the city is for every day, convenience-oriented shopping. None of the shopping centers in Cupertino are "lifestyle" centers, representing the recent trend in retailing toward combining upscale retail, dining, and entertainment in one center, such as Santana Row nearby in San Jose, to create a more interesting shopping destination and experience. The Vallco Shopping Mall represents a mixed picture for Cupertino. Its anchor department stores and entertainment options appear to draw shoppers to the city, but the poor performance of the remainder of the mall contributes to Cupertino's weakness in comparison goods shopping and destination retail.

The degree to which Cupertino can increase sales in the categories evaluated in this section of the report will depend on the specific location and site characteristics and location of new retail development and general competitive forces (such as location of competitors). These issues are more fully developed and analyzed in the Retail Strategy Study.

Figure 7: Cupertino Retail Sales Leakages by Major Retail Store Category



Source: BAE Urban Economics, based on Table 14; sources as noted in Appendix C and Appendix D.

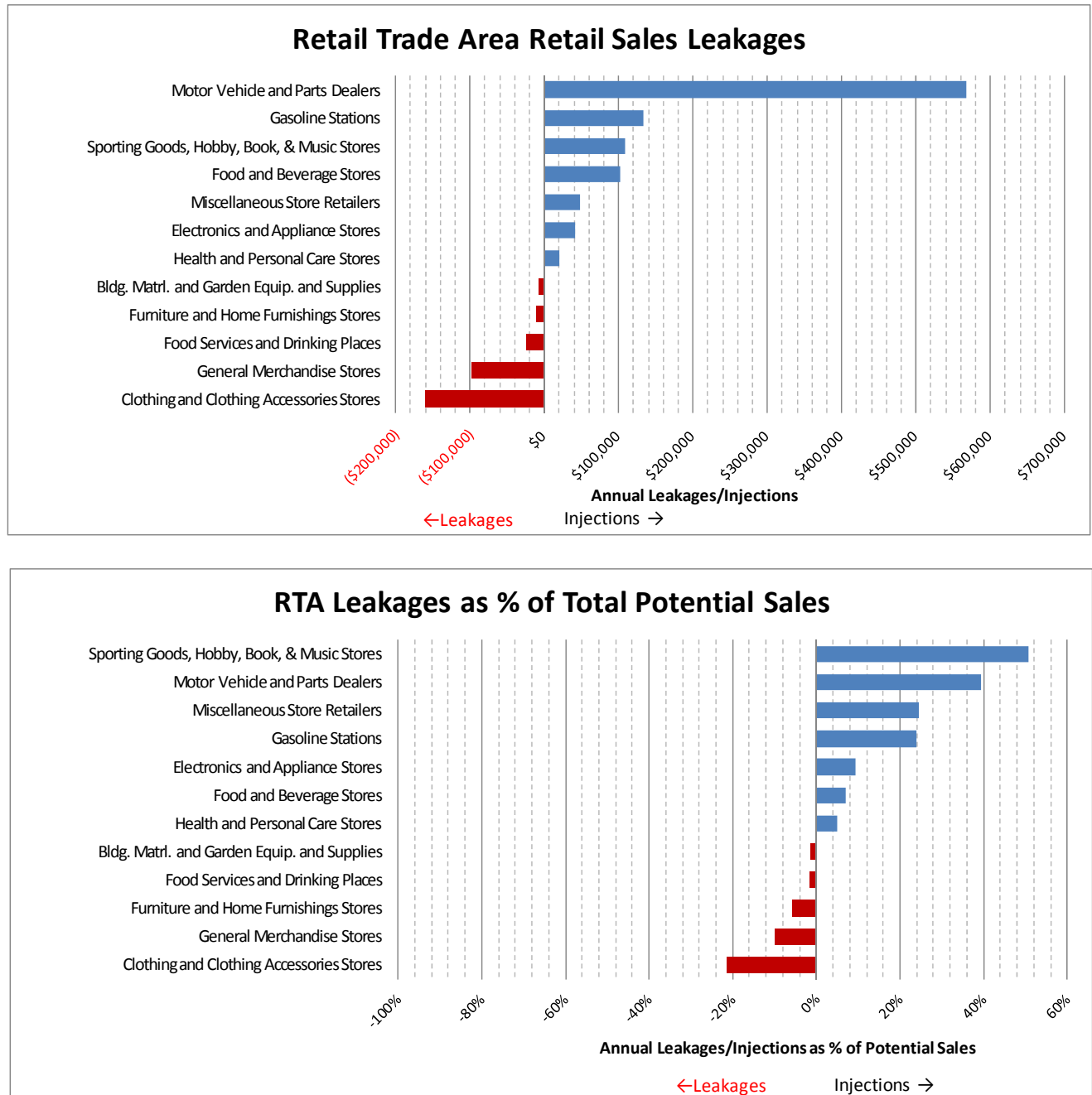
Retail Trade Area Leakage Analysis

Unlike Cupertino, the larger RTA has limited leakages of retail sales (see Figure 8). The largest leakage by percent of total sales is for clothing and clothing accessory stores, with leakages of only 21 percent, in contrast to Cupertino where several major retail categories showed leakage of 30 percent or more of potential sales. Only one other category, general merchandise stores, shows substantial leakages (at 10 percent).

The RTA shows injections of sales of 20 percent or greater for four categories: sporting goods, hobby, book and music stores; motor vehicle and parts dealers; gasoline stations; and miscellaneous store retailers. The RTA is not bounded by bodies of water or mountains except to the west, so these sectors are likely drawing additional shoppers from beyond the RTA boundaries. In particular, the concentration of motor vehicle dealers along Stevens Creek Boulevard in San Jose and Santa Clara is a major regional draw, leading to the high per capita sales injections for the RTA as well as the strong leakages from Cupertino itself, which has almost no motor-vehicle related retail.

Overall, the strong sales in the RTA, where even sectors showing leakage have hundreds of millions of dollars in estimated sales, indicate a broad array of retail shopping options are available in nearby communities easily accessible to Cupertino residents. In turn, while the analysis shows that Cupertino residents are shopping outside the city itself, the strong regional retail environment constrains opportunities for additional capture of resident spending through new retail development in Cupertino. Notwithstanding the foregoing, the degree to which Cupertino can capture additional sales in the Retail Trade area will depend greatly on whether the Vallco Shopping Center can be repositioned or redeveloped to improve its performance in the Retail Trade Area. Strategies to reposition Vallco are identified and evaluated in the accompanying Retail Strategy Study.

Figure 8: RTA Retail Sales Leakages by Major Retail Store Category



Source: BAE Urban Economics, based on Table 14; sources as noted in Appendix C and Appendix D.

Comparative Retail Sales by Detailed Store Category

While the leakage analysis above provides key findings regarding the retail market in Cupertino and the RTA, the more detailed approach drills down to provide additional information on particular subcategories that may have weak or strong sales relative to the population base. The following analysis drills down to more detailed store types by NAICS¹⁴ code, by comparing annual per capita sales for Cupertino and the RTA with Santa Clara County overall.

This analysis is not a more detailed version of the leakage analysis itself, but a slightly different type of analysis. This analysis includes no adjustments for local demographics (e.g., high incomes and home ownership) as provided by benchmarking based on the RMP report from Nielsen. The ability of consumers to substitute between store types and the quality of the RMP data do not reasonably allow per capita sales adjustment factors for these more detailed store types.

The following analysis highlights (in bold typeface and boxes) a number of specific underperforming retail sectors in Cupertino, which may represent specific opportunities to expand retail in Cupertino and the RTA. As noted in the tables, some key specific store types with very low sales include motor vehicle dealers, electronics stores, computer and software stores, home improvement centers and hardware stores, apparel stores, and warehouse club stores.

For the purposes of this discussion, per capita sales at less than 50 percent of countywide levels are defined as “very low.” Since the county has lower overall income levels and lower expected resident expenditures than either of the two study geographies, this is a strong indicator of subcategories where there is a substantial gap between sales and expenditures in the city and/or the RTA. The following discussion is organized by major retail category as shown in the leakage analysis above.

Motor Vehicle and Parts Dealers. Cupertino has almost no motor-vehicle-related retail, and thus most resident expenditures are leaking out of the city.¹⁵ However, the City does not have suitable sites for the major sales subcategory, new car dealers, so with the exception perhaps of an auto parts store, additional capture in this overall category in Cupertino is unlikely. The RTA shows generally strong sales for this grouping, especially for vehicle dealers, with the exception of RV dealers. This indicates that the larger RTA is well-served.

¹⁴ North American Industrial Classification System, a coding system providing a consistent framework for analyzing the economy and the different industries that are part of it.

¹⁵ The sources for these tables can be found in Appendix C and Appendix D.

Table 15: Detail on Motor Vehicle Sector Sales

2010 Estimated Annual Per Capita Sales in 2013 \$	Cupertino		Retail Trade Area		Santa Clara County
	Per Capita Sales	As % of County	Per Capita Sales	As % of County	
New car dealers	\$0	0%	\$3,081	167%	\$1,845
Used car dealers	\$0	0%	\$85	222%	\$39
Recreational vehicle dealers	\$0	0%	\$0	0%	\$17
Motorcycle, ATV, and personal watercraft dealers	\$0	0%	\$41	89%	\$47
Boat dealers	\$0	0%	\$11	437%	\$3
All other motor vehicle dealers	\$0	0%	\$14	288%	\$5
Automotive parts and accessories stores	\$0	0%	\$98	81%	\$122
Tire dealers	\$123	137%	\$94	104%	\$90
Motor Vehicle and Parts Dealers	\$123		\$3,425		\$2,165

Furniture and Home Furnishings Stores. Despite leakage in this overall category, Cupertino shows strong sales in furniture stores, but has very low sales in the other subcategories, leading to the overall leakage in this major category. The only RTA subcategory with extremely low sales is window treatment stores, which make up a very small percentage of overall sales countywide.

Table 16: Detail on Furniture and Home Furnishings Store Sales

2010 Estimated Annual Per Capita Sales in 2013 \$	Cupertino		Retail Trade Area		Santa Clara County
	Per Capita Sales	As % of County	Per Capita Sales	As % of County	
Furniture stores	\$164	153%	\$117	110%	\$107
Floor covering stores	\$0	0%	\$30	85%	\$35
Window treatment stores	\$0	0%	\$1	9%	\$6
All other home furnishings stores	\$68	53%	\$165	129%	\$128
Furniture and Home Furnishings Stores	\$232		\$313		\$276

Electronics and Appliances Stores. Cupertino has very low sales in three of the four subcategories for electronics and appliance stores, including radio, television, and electronics stores, computer and software stores, and camera and photographic supplies stores.

Table 17: Detail on Electronics and Appliances Store Sales

2010 Estimated Annual Per Capita Sales in 2013 \$	Cupertino		Retail Trade Area		Santa Clara County
	Per Capita Sales	As % of County	Per Capita Sales	As % of County	
Household appliance stores	\$94	198%	\$49	102%	\$47
Radio, television, and other electronics stores	\$89	36%	\$254	102%	\$249
Computer and software stores	\$27	8%	\$510	144%	\$355
Camera and photographic supplies stores	\$0	0%	\$12	81%	\$15
Electronics and Appliance Stores	\$210		\$825		\$666

Building Materials, and Garden Equipment and Supplies. With the exception of the nursery, garden center, and farm supply subcategory, Cupertino has very limited sales in this category, with no estimated sales shown for home centers (e.g., Home Depot), paint and wallpaper stores, hardware stores (e.g., Orchard Supply Hardware), or outdoor power equipment stores. In contrast, per capita sales in the RTA for all subcategories is above countywide levels.

Table 18: Detail on Building Materials Sector Sales

2010 Estimated Annual Per Capita Sales in 2013 \$	Cupertino		Retail Trade Area		Santa Clara County
	Per Capita Sales	As % of County	Per Capita Sales	As % of County	
Home centers	\$0	0%	\$365	103%	\$355
Paint and wallpaper stores	\$0	0%	\$36	165%	\$22
Hardware stores	\$0	0%	\$116	110%	\$105
Other building material dealers	\$14	4%	\$385	127%	\$303
Outdoor power equipment stores	\$0	0%	\$21	194%	\$11
Nursery, garden center, and farm supply stores	\$208	441%	\$73	155%	\$47
Bldg. Matrl. and Garden Equip. and Supplies	\$222		\$995		\$844

Food and Beverage Stores. While Cupertino shows injection in this overall category, this is largely due to strong sales in supermarkets and other grocery (except convenience) stores, the subcategory that accounts for most of the sales in the overall food and beverage store sector. Cupertino, however, has very low or no sales in the meat markets, fish and seafood markets, and all other specialty food store subcategories. Per capita sales in meat markets and fish and seafood markets for the entire RTA are also very low. This indicates that despite overall injections of sales for the food and beverage store major sector, there may be opportunities for this category in some of these smaller market niches in Cupertino, which could perhaps also attract shoppers from elsewhere in the RTA.

Table 19: Detail on Food and Beverage Store Sales

2010 Estimated Annual Per Capita Sales in 2013 \$	Cupertino		Retail Trade Area		Santa Clara County
	Per Capita Sales	As % of County	Per Capita Sales	As % of County	
Supermarkets and other grocery (except convenience) stores	\$2,911	145%	\$2,304	114%	\$2,013
Convenience stores	\$87	100%	\$102	117%	\$87
Meat markets	\$0	0%	\$6	31%	\$18
Fish and seafood markets	\$0	0%	\$0	0%	\$3
Fruit and vegetable markets	\$46	271%	\$40	236%	\$17
Baked goods stores	\$44	534%	\$10	119%	\$8
Confectionery and nut stores	\$10	84%	\$28	228%	\$12
All other specialty food stores	\$2	19%	\$6	64%	\$9
Beer, wine, and liquor stores	\$95	92%	\$126	121%	\$104
Food and Beverage Stores	\$3,196		\$2,620		\$2,271

Health and Personal Care Stores. This category is dominated by pharmacies and drug stores, and shows modest leakages for Cupertino, which has few major chain pharmacies. The City has very low per capita sales relative to Santa Clara County for cosmetics, beauty supplies, and perfume stores, and food (health) supplement stores. For the RTA, where sales in the area are approximately in balance with demand, there are no subcategories with very low per capita sales relative to the county.

Table 20: Detail on Health and Personal Care Store Sales

2010 Estimated Annual Per Capita Sales in 2013 \$	Cupertino		Retail Trade Area		Santa Clara County
	Per Capita Sales	As % of County	Per Capita Sales	As % of County	
Pharmacies and drug stores	\$419	75%	\$548	98%	\$559
Cosmetics, beauty supplies, and perfume stores	\$12	19%	\$56	88%	\$64
Optical goods stores	\$48	160%	\$45	153%	\$30
Food (health) supplement stores	\$12	49%	\$20	83%	\$25
All other health and personal care stores	\$22	74%	\$46	154%	\$30
Health and Personal Care Stores	\$513		\$716		\$707

Clothing and Clothing Accessories Stores. Overall, Cupertino has very weak per capita sales in this major retail category, and in most of its subcategories (see Table 21). The RTA, while showing some leakage overall for this category (see discussion above), has very low per capita sales only for clothing accessories stores, one of the smaller subcategories. The very low sales for Cupertino are an indicator that despite the fact that these kinds of stores are often found in shopping malls, the Vallco Shopping Mall is very weak in apparel-related sales.

Table 21: Detail on Clothing and Clothing Accessory Store Sales

2010 Estimated Annual Per Capita Sales in 2013 \$	Cupertino		Retail Trade Area		Santa Clara County
	Per Capita Sales	As % of County	Per Capita Sales	As % of County	
Men's clothing stores	\$0	0%	\$17	46%	\$36
Women's clothing stores	\$5	3%	\$165	101%	\$163
Children's and infants' clothing stores	\$14	31%	\$62	141%	\$44
Family clothing stores	\$65	14%	\$371	78%	\$474
Clothing accessories stores	\$9	19%	\$20	45%	\$45
Other clothing stores	\$94	172%	\$69	126%	\$55
Shoe stores	\$121	77%	\$121	78%	\$156
Jewelry stores	\$278	256%	\$153	141%	\$109
Luggage and leather goods stores	\$0	0%	\$25	169%	\$14
Clothing and Clothing Accessories Stores	\$585		\$1,003		\$1,097

Sporting Goods, Hobby, Book, and Music Stores. Among this group of store types, Cupertino only shows very low per capita sales for book stores, news dealers and newsstands, and prerecorded tape, compact disc, and record stores. These store type subcategories have all been impacted by online sales as well as e-readers, (e.g., Amazon, and iTunes) and thus do not represent long-term opportunities for recapture of sales in Cupertino. The RTA has no subcategories here with very low per capita sales, and in fact shows substantial sales injections for the overall category.

Table 22: Detail on Sporting Goods, Hobby, Book, and Music Store Sales

2010 Estimated Annual Per Capita Sales in 2013 \$	Cupertino		Retail Trade Area		Santa Clara County
	Per Capita Sales	As % of County	Per Capita Sales	As % of County	
Sporting goods stores	\$82	61%	\$276	207%	\$134
Hobby, toy, and game stores	\$101	163%	\$96	156%	\$62
Sewing, needlework, and piece goods stores	\$56	430%	\$44	337%	\$13
Musical instrument and supplies stores	\$26	97%	\$37	139%	\$26
Book stores	\$12	15%	\$77	98%	\$78
News dealers and newsstands	\$0	0%	\$2	52%	\$4
Prerecorded tape, compact disc, and record stores	\$0	0%	\$15	223%	\$7
Sporting Goods, Hobby, Book, and Music Stores	\$276		\$547		\$323

General Merchandise Stores. Cupertino shows injections of sales in this major category, due to the three Vallco Shopping Mall anchor stores and the Target. Per capita sales by subcategory show the key role of the Vallco anchors, with extremely high per capita sales for the department stores (excluding discount department stores) subcategory. Cupertino shows no per capita sales in the warehouse clubs and supercenters subcategory, due to the lack of a Costco or similar store, and in the all other general merchandise stores subcategory, which includes miscellaneous types of variety stores and typically accounts for only a small portion of general merchandise stores overall. The RTA shows no subcategories with very low per capita sales.

Table 23: Detail on General Merchandise Store Sales

2010 Estimated Annual Per Capita Sales in 2013 \$	Cupertino		Retail Trade Area		Santa Clara County
	Per Capita Sales	As % of County	Per Capita Sales	As % of County	
Department stores (except discount department stores)	\$1,488	491%	\$443	146%	\$303
Discount department stores	\$660	113%	\$527	90%	\$584
Warehouse clubs and supercenters	\$0	0%	\$475	87%	\$546
All other general merchandise stores	\$0	0%	\$68	103%	\$66
General Merchandise Stores	\$2,148		\$1,513		\$1,499

Miscellaneous Store Retailers. Cupertino has very low per capita sales across most of the store type subcategories comprising this catch-all major category, which is reflected in the high leakage for the overall category. The exceptions are for pet and pet supply stores and tobacco stores. Many of these store types occupy narrow market niches with very limited sales.

Table 24: Detail on Miscellaneous Retail Store Sales

2010 Estimated Annual Per Capita Sales in 2013 \$	Cupertino		Retail Trade Area		Santa Clara County
	Per Capita Sales	As % of County	Per Capita Sales	As % of County	
Florists	\$3	31%	\$18	167%	\$11
Office supplies and stationery stores	\$0	0%	\$108	153%	\$71
Gift, novelty, and souvenir stores	\$20	40%	\$81	160%	\$51
Used merchandise stores	\$3	8%	\$35	76%	\$45
Pet and pet supplies stores	\$68	117%	\$107	184%	\$58
Art dealers	\$0	0%	\$1	29%	\$4
Manufactured (mobile) home dealers	\$0	0%	\$19	93%	\$21
Tobacco stores	\$10	61%	\$14	81%	\$17
All other miscellaneous store retailers (except tobacco)	\$5	13%	\$29	71%	\$40
Miscellaneous Store Retailers	\$111		\$412		\$317

Food Services and Drinking Places. Cupertino's sales in this major category are nearly in balance with estimated resident expenditures, and only one subcategory, food service contractors shows very low per capita sales. Full-service restaurants, which are responsible for the highest proportion of per capita sales countywide in the overall major category, have strong per capita sales in Cupertino. The RTA has no subcategories with very low per capita sales.

Table 25: Detail on Food Services and Drinking Places Sales

2010 Estimated Annual Per Capita Sales in 2013 \$	Cupertino		Retail Trade Area		Santa Clara County
	Per Capita Sales	As % of County	Per Capita Sales	As % of County	
Full-service restaurants	\$1,456	171%	\$942	111%	\$849
Limited-service restaurants	\$476	74%	\$692	108%	\$641
Cafeterias, grill buffets, and buffets	\$29	101%	\$31	109%	\$29
Snack and nonalcoholic beverage bars	\$356	201%	\$208	117%	\$177
Food service contractors	\$39	21%	\$314	168%	\$187
Caterers	\$43	138%	\$48	157%	\$31
Mobile food services	\$3	291%	\$2	149%	\$1
Drinking places (alcoholic beverages)	\$3	8%	<u>\$33</u>	74%	<u>\$44</u>
Food Services and Drinking Places	\$2,405		\$2,271		\$1,959

The data presented above provide a basis for an estimate of potential market support for new retail development, which is presented in a subsequent section of this report.

REAL ESTATE MARKET TRENDS

This section provides an overview and analysis of current real estate market conditions in Cupertino, Santa Clara County, and the Bay Area. The overview presents data on the existing inventory, lease rates, and occupancy levels among residential, office, research and development (R&D), industrial, and retail properties. The information provided in the following sections was obtained from private data vendors, brokerage firm reports, and online property listings. These data sources are supplemented by quantitative and qualitative information on local real estate conditions obtained through interviews with local property managers and brokers. Each section on current real estate market conditions is followed by an overview of planned and proposed residential, office, R&D, retail, and mixed-use developments in Cupertino. The following section concludes with an evaluation of the total new square feet or units that would be supportable in Cupertino by 2020 and 2035.

Residential Market

Cupertino has a strong residential market, due largely to the high quality of the local school districts and the presence of Apple Inc. and other high-tech employers. High demand for homes and apartments in Cupertino has created a housing market characterized by high home sale and rental prices, which were impacted relatively mildly during the recent recession.

Market Area. As discussed in a previous section, the school districts that serve Cupertino (the Cupertino Union School District and the Fremont Union High School District) are considered among the best in California, which leads to high demand for housing in these districts among families with school-aged children. Interviews with residential real estate brokers in Cupertino confirm the positive role local public schools have in supporting the housing market. Since the schools are a significant factor in attracting residential demand, Cupertino is in a market area that is largely defined by the boundaries of these school districts, which include portions of Sunnyvale, Los Altos, Saratoga, Santa Clara, and west San Jose. In addition to the high-quality school districts, Cupertino's proximity to high-tech employment contributes to the high demand for housing in the city. Apple Inc. is a primary factor in attracting residents that are seeking homes near high-tech employment centers to Cupertino, and other large and small tech companies in neighboring communities lead to additional residential demand in and around Cupertino.

Existing Inventory and Recent Construction

Existing Inventory. Compared to Santa Clara County and the Bay Area, Cupertino has a larger share of single-family homes and a smaller share of multi-family housing. According to ACS data, 70 percent of housing units in Cupertino were single family homes (both detached and attached) and 30 percent were multifamily units, while the proportion of multifamily units was 33 percent in Santa Clara County and 35 percent throughout the Bay Area. Multifamily housing in

Cupertino is most commonly provided in small buildings containing three to 19 units, which accounted for 17 percent of the Cupertino housing stock.

Table 26: Housing Units by Type of Structure (a)

Type of Residence	Cupertino	Santa Clara	Bay Area (b)
		County	
Single Family Detached	56.1%	53.6%	53.4%
Single Family Attached	13.6%	10.1%	9.1%
Multifamily 2 Units	1.7%	1.9%	3.8%
Multifamily 3-19 Units	16.7%	16.8%	18.0%
Multifamily 20-49 Units	2.1%	5.2%	5.6%
Multifamily 50+	9.4%	9.3%	8.1%
Mobile Home/Other (c)	0.3%	3.1%	2.1%
Total	100.0%	100.0%	100.0%
Single Family Housing Units	69.7%	63.8%	62.5%
Multifamily Housing Units	30.0%	33.2%	35.4%

Notes:

(a) The American Community Survey (ACS) publishes demographic estimates based on statistical sampling conducted between 2009-2011.

(b) The nine-county Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties.

(c) Includes standard mobile homes as well as boats, RVs, vans, and other vehicles that serve as a primary residence.

Sources: ACS, 2009-2011; BAE, 2013.

Tenure. Cupertino has a slightly higher proportion of owner-occupied households than Santa Clara County and the Bay Area. In 2010, 63 percent of all Cupertino households were owner-occupied, compared to 58 percent of Santa Clara County households and 56 percent of Bay Area households. In all three geographies, the proportion of renter-occupied units increased slightly (one to two percentage points) between 2000 and 2010.

Table 27: Household Tenure, 2000-2010

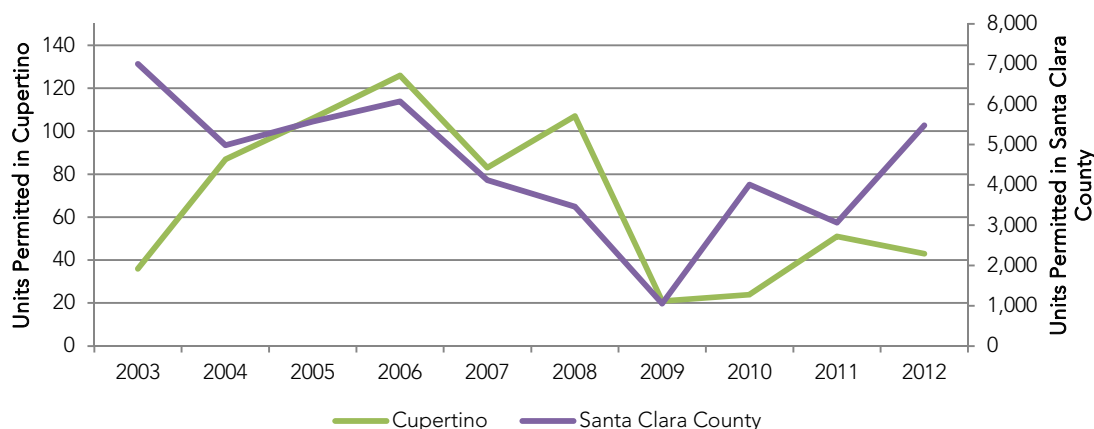
	2000		2010	
	Number	Percent	Number	Percent
Cupertino				
Owners	11,583	63.6%	12,627	62.6%
Renters	6,621	36.4%	7,554	37.4%
Total	18,204	100.0%	20,181	100.0%
Santa Clara County				
Owners	338,661	59.8%	348,298	57.6%
Renters	227,202	40.2%	255,906	42.4%
Total	565,863	100.0%	604,204	100.0%
Bay Area (a)				
Owners	1,423,958	57.7%	1,465,362	56.2%
Renters	1,042,061	42.3%	1,142,661	43.8%
Total	2,466,019	100.0%	2,608,023	100.0%

Notes:

(a) The nine-county Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties.

Sources: U.S. Census 2000 & 2010; BAE, 2013.

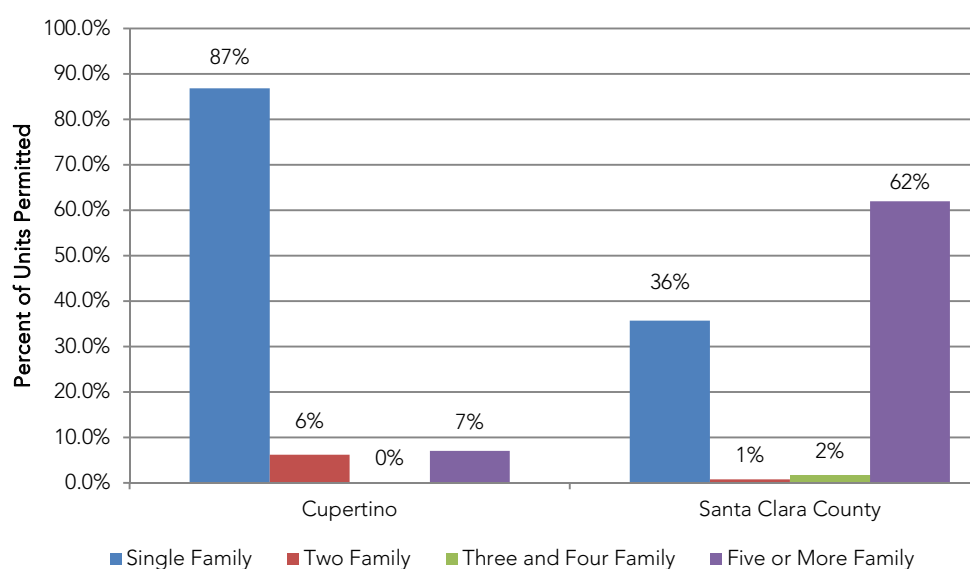
Recent Construction Trends. Residential building permit data provided by the U.S. Census Bureau demonstrate that both Cupertino and Santa Clara County experienced a decline in building permit activity in 2009 –the bottom of the Great Recession—followed by a moderate recovery in the subsequent three years. (See Figure 9). In Cupertino, 2006 was the most active year in the past decade with respect to residential building permits, with a total of 126 permits issued. Building permit activity remained strong through 2008, then decreased to 21 units in 2009 as building activity decreased during the recession. Building permit activity increased during 2011 and 2012, but nonetheless lagged pre-recession levels.

Figure 9: Residential Units Permitted, 2003-2012

Source: US Census Building Permit Data, 2013; BAE, 2013.

Residential building permits issued in Cupertino over the past decade have overwhelmingly consisted of permits for single family homes, as indicated in Figure 10. Between 2003 and 2012, 87 percent of all residential units permitted in Cupertino were single family units, and seven percent were in buildings with five or more units. Compared to the composition of the existing housing stock shown in Table 26, this represents a higher concentration of single-family units in Cupertino over time. During the same period, 36 percent of residential units permitted throughout Santa Clara County were for single family homes while 62 percent of units permitted were in buildings with five or more units, which represents a smaller concentration of single-family units in the county over time.

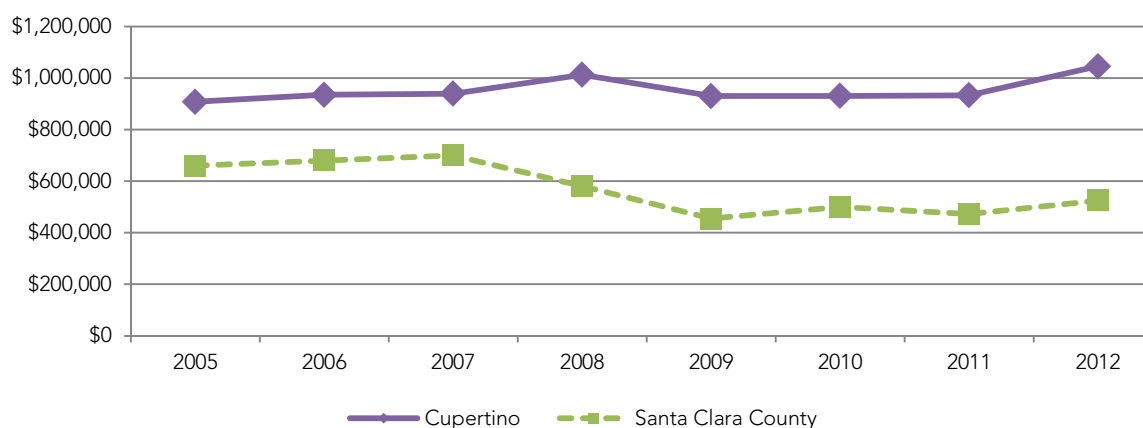
Figure 10: Residential Units Permitted by Building Type, 2003-2012



Source: US Census Building Permit Data, 2013; BAE, 2013.

For Sale Residential

Home Price Trends. According to home sale data provided by DataQuick, which collects data from the County Assessor (shown in Figure 11 below), home sale prices in Cupertino are typically higher than prices in Santa Clara County overall, and were impacted mildly during the recent economic downturn. Median home prices dropped only 8 percent in Cupertino between 2008 and 2010 compared to 35 percent for Santa Clara County between 2007 and 2009. The median price for Cupertino changed very little between 2009 and 2011, but increased significantly in 2012 to \$1,045,750, higher than pre-recession levels and twice as high as the median for the county.

Figure 11: Median Home Sale Price, 2005-2012

Location	Median Sale Price							
	2005	2006	2007	2008	2009	2010	2011	2012
Cupertino	\$908,000	\$935,000	\$939,500	\$1,012,500	\$930,000	\$931,000	\$933,000	\$1,045,750
Santa Clara County	\$660,000	\$680,000	\$700,000	\$580,000	\$455,000	\$500,000	\$472,500	\$525,000

Source: Dataquick; BAE, 2013.

Data on recent home sales in Cupertino further demonstrate that the housing market is characterized by high home sale prices, with virtually no low- or moderately-priced options. Table 28 shows the sale price distribution for single-family homes and condominiums sold in Cupertino between March 1, 2013 and August 31, 2013. Among single-family homes sold during this period, 88 percent sold for \$1,000,000 or more, with a median price of \$1,431,500. The median price of condominiums sold during this period was \$775,000, and more than half of all condominiums had a sale price between \$700,000 and \$1,000,000. As discussed above, these median housing costs exceed the affordability threshold for people earning the median income for a person employed in Cupertino, particularly for single-person households or household with only one income earner.

The data presented in Table 28 also indicate that the for-sale residential market in Cupertino consists of relatively large units. Among homes recently sold, more than half of all single family homes had four or more bedrooms. Although condominiums tended to be smaller than single family homes, 90 percent had two or more bedrooms. The large size and high price of residential units in Cupertino indicate that the for-sale market primarily serves larger high-income households, and that there is a potential unmet need for smaller, more affordable units to provide housing options for individuals and small households in the local workforce.

Table 28: Sale Price Distribution of Single-Family Residences and Condominiums by Number of Bedrooms, March-August 2013 (a)

Sale Price Range	Number of Units Sold				Total	% Total
	1 BRs	2 BRs	3 BRs	4+ BRs		
Single-Family Residences						
Less than \$500,000	0	0	1	2	3	1.7%
\$500,000-\$999,999	1	5	12	0	18	10.1%
\$1,000,000-\$1,499,999	1	4	45	26	76	42.7%
\$1,500,000-\$1,999,999	0	1	13	46	60	33.7%
\$200,000 or more	0	0	4	17	21	11.8%
Total	2	10	75	91	178	100.0%
% Total	1.1%	5.6%	42.1%	51.1%	100.0%	
Median Sale Price	\$970,000	\$987,500	\$1,291,000	\$1,599,000	\$1,431,500	
Average Sale Price	\$970,000	\$1,068,977	\$1,319,015	\$1,644,659	\$1,467,527	
Average Size (sf)	822	1043	1597	2456	1996	
Average Price/sf	\$1,180	\$1,025	\$826	\$670	\$735	
Condominiums						
Less than \$400,000	0	1	1	0	2	2.4%
\$400,000-\$699,999	8	8	0	0	16	19.3%
\$700,000- \$999,999	0	39	6	0	45	54.2%
\$1,000,000-\$1,299,999	0	5	11	3	19	22.9%
\$1,300,000 or more	0	1	0	0	1	1.2%
Total	8	54	18	3	83	100.0%
% Total	9.6%	30.3%	10.1%	1.7%	46.6%	
Median Sale Price	\$539,500	\$747,500	\$1,037,500	\$1,150,000	\$775,000	
Average Sale Price	\$535,625	\$781,778	\$977,833	\$1,108,333	\$812,373	
Average Size (sf)	892	1291	1835	1908	1393	
Average Price/sf	\$600	\$606	\$533	\$581	\$583	

Notes:

(a) Consists of all full and verified sales of single-family residences and condominiums in the 94014 ZIP code between 3/1/2013 and 08/31/2013.

Sources: DataQuick, BAE; 2013.

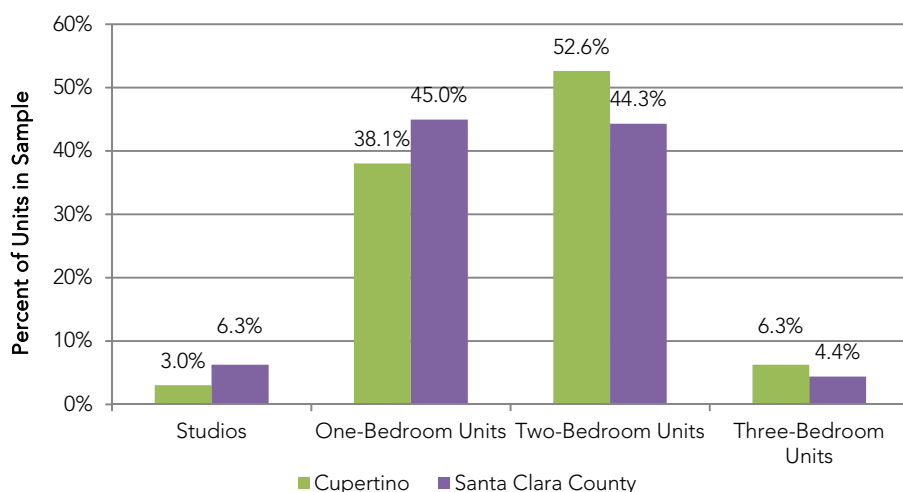
Planned and Proposed For-Sale Projects. There are two for-sale residential projects in the development pipeline in Cupertino: Parkside Trails, which would consist of 18 single family homes on Stevens Canyon Road south of Ricardo Road and a six-unit live/work project on Foothill Boulevard and Silver Oak Way¹⁶. Under the proposed Parkside Trails plan, the new residential development would take place on nine acres of the site and an additional 33.5 acres adjacent to the residential development would be dedicated as open space. The plan is currently under review by the City. The project on Foothill Boulevard is on a small infill parcel formerly occupied by an automotive service station.

¹⁶ As of the date of this report, this project has not been approved.

Rental Residential

Existing Rental Inventory. Similar to the for-sale market, the rental residential market in Cupertino consists of relatively large units. Figure 12 shows data provided by RealFacts, which collects data on rental properties with 50 units or more. As shown, 59 percent of units in Cupertino had two or more bedrooms, compared to 49 percent in Santa Clara County overall.

Figure 12: Rental Stock by Number of Bedrooms, Second Quarter 2013 (a)



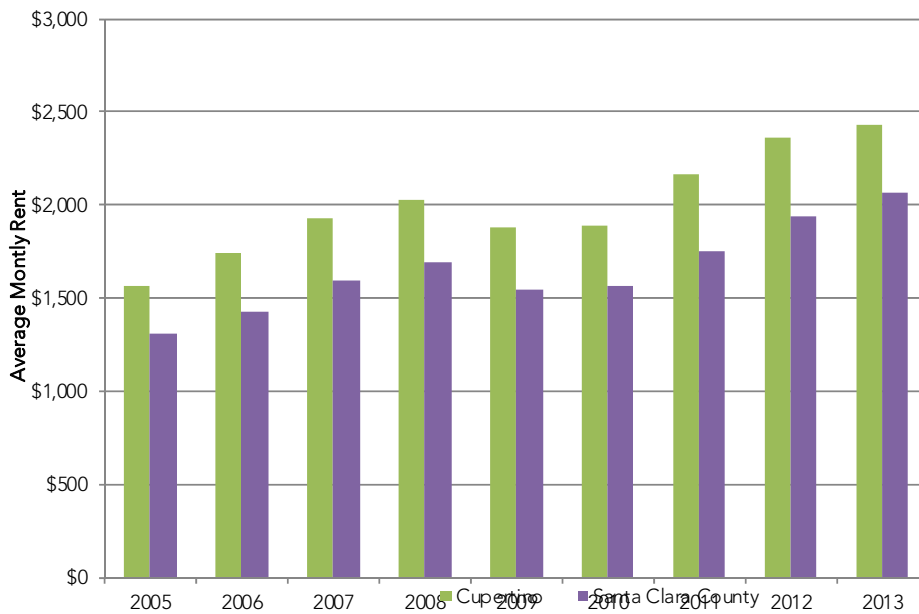
Note:

(a) Data captures rental housing complexes with at least 50 units in Cupertino and Santa Clara County. Unit types comprising less than 0.1 percent of the units in the sample were omitted from the figure.

Sources: RealFacts; BAE, 2013.

Occupancy and Rental Rate Trends. Occupancy and rental rate trends between 2005 and 2013 demonstrate that Santa Clara County has a strong rental market, particularly in Cupertino. As shown in Figure 13, rental rates in the City and county decreased in 2009 following steady increases between 2005 and 2008. However, rents increased significantly in 2011, surpassing pre-recession levels, and further increased through the second quarter of 2013. Throughout this nine-year time period, the average monthly rent in Cupertino remained approximately \$250 to \$425 higher than the average for Santa Clara County. As of the second quarter of 2013, the average monthly rent was \$2,426 in Cupertino and \$2,062 in Santa Clara County.

The shortage of young adult residents and workers in Cupertino could be largely the result of the lack of moderately priced housing options for many young or single-earner households, which suggests a need for smaller, more affordable units that can serve as workforce housing.

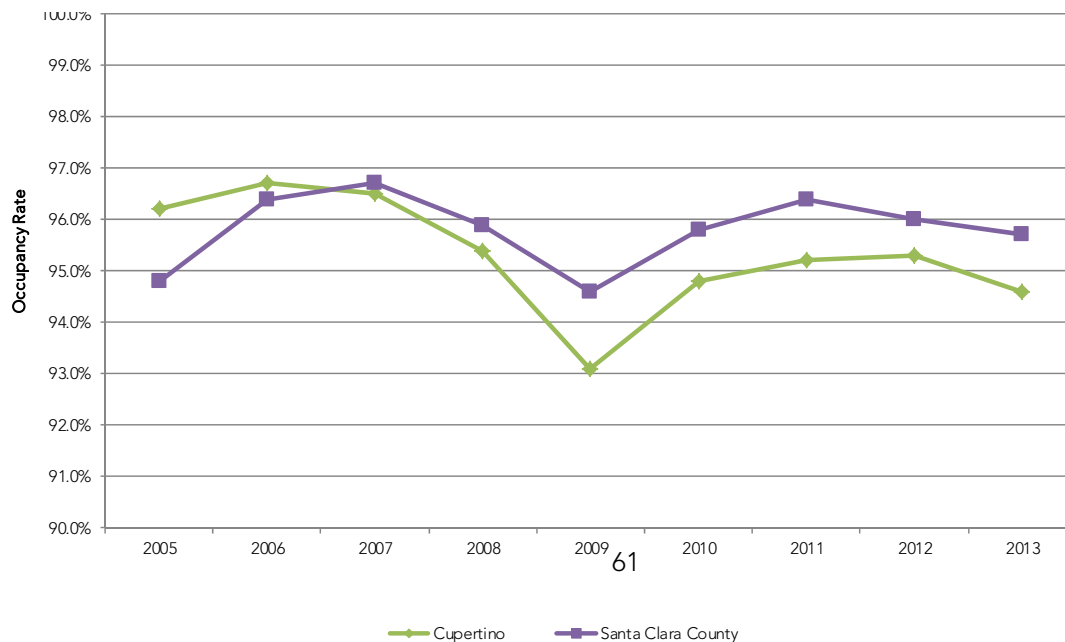
Figure 13: Rental Rate Trends, 2005-2013

Note:

(a) Data captures rental housing complexes with at least 50 units in Cupertino and Santa Clara County.

Sources: RealFacts; BAE, 2013.

Occupancy rates in Santa Clara County and Cupertino further demonstrate solid demand for housing in Cupertino. Housing markets are typically considered to have a healthy amount of vacancy when units are 95 percent occupied, which allows for some mobility between rental units. As shown in Figure 14, the rental occupancy rate in Cupertino was on average 95.3 percent occupied over the past eight years. During the Great Recession Cupertino's occupancy rate decreased to 93 percent. In Santa Clara County, the vacancy rate did not fall below 95 percent in any year between 2005 and 2013, and was higher in many years during this period.

Figure 14: Vacancy Rate Trends, 2005-2013

Planned and Proposed Rental Projects. There are three rental residential projects in the development pipeline in Cupertino, totaling 404 new residential units, all in mixed-use developments. The largest of the three projects is the Rose Bowl mixed-use development, which is currently under construction and will consist of approximately 60,000 square feet of retail and 204 rental residential units east of the Vallco shopping center. Also under construction is the Biltmore Adjacency, a mixed-use project which will consist of 80 rental residential units and 7,000 square feet of retail on Steven Creek Boulevard at North Blaney Avenue. The project included demolition of 21,000 square feet of retail space, resulting in a net loss of retail space on the site. The third project with rental residential units in the pipeline is Main Street Cupertino, which will consist of 120 rental residential units, 130,500 square feet of retail space, 260,000 square feet of office space, and 180 hotel rooms on Steven Creek Boulevard between Finch Avenue and Tantau Avenue. Main Street Cupertino has been approved but is not yet under construction.

Office Real Estate Market Overview

Market Context. As discussed above, Cupertino is a significant employment node, due largely to the strong presence of Apple Inc. in the city. Apple Inc. currently occupies a significant portion of the office space in Cupertino in addition to the company's existing campus. The company has received City approvals to construct a second campus in Cupertino (Apple Campus 2). It is not known whether the company will retain all of the space that it currently occupies once the new campus is complete. However, Apple has indicated that the new campus is intended to accommodate additional employees rather than to replace the space that the company is currently using. Office brokers familiar with the local market report that Apple's presence in Cupertino also leads other companies to seek out office space in the City because Apple often requires the companies that it works with to have a local satellite office. In addition to Apple and the companies associated with it, there is high demand for office space in Cupertino among high-tech companies and companies that offer professional services to the high-tech industry.

The office market in Santa Clara County consists of a number of submarkets with varying demand for office space, which is generally reflected in vacancy, lease, and absorption rates. Palo Alto is typically considered to be the top tier in the Santa Clara County office market supporting the highest rents and lowest vacancies. The West Valley submarket, which includes the cities of Campbell, Cupertino, Santa Clara, Sunnyvale, and parts of west San Jose has traditionally been highly desirable due to the location of executive-level residential areas in Los Altos, Los Altos Hills, Los Gatos, Monte Sereno and Cupertino.

Convergence of Office and R&D Space Requirements. Traditionally, there has been a distinction in the real estate market between office and R&D space, with R&D space typically in single-story rectangular or square-shaped structures with modest exterior features and detailing. However, over time there has been an increasing convergence of these real estate product types across the Bay Area as production facilities have moved elsewhere, often to other

countries, and research and product development activities that once required large or specialized lab space are more often completed using computer simulations. Future real estate demand in Cupertino, Santa Clara County, and the Bay Area is expected to reflect a diminished distinction between office and R&D space requirements, with office space used to conduct tasks that have formerly required larger R&D spaces.

Demand for State-of-the-Art, Green Office Space. There has been a notable increase in the number of office property owners and developers renovating or developing their office space into LEED certified structures, usually at the silver, gold, or platinum levels. Two factors drive this increase in interest in sustainable office space: (i) implementing design and building system features that qualify a structure for LEED certification can result in significant operational savings of the life of the building; and (ii) building users and tenants can market their “green” office space as a positive feature to attract employees. Younger workers, particularly in the technology sectors, seek to work for companies whose values generally align with their own and environmental sustainability is one element of these values.

Demand for Building, Site and Neighborhood Amenities. Office workers, particularly workers in the high-tech industries that dominate the market in Cupertino and elsewhere in Silicon Valley, are increasingly demonstrating a preference for workplace locations that offer the amenities typically found in more urban environments, including proximity to public transportation, bicycle and pedestrian access, attractive retail offerings, and entertainment options. In response to this shift in preferences among workers, companies are more often seeking office locations that offer more urban-style amenities instead of opting for traditional suburban office parks. The preference for more urban amenities, particularly access to public transportation, is reflected in the preferences of companies looking for space in Silicon Valley. Commercial brokers familiar with Cupertino have reported that the city’s lack of access to Caltrain has deterred some companies from locating in Cupertino, and that some employers have chosen to locate in Sunnyvale rather than Cupertino in order to have access to Caltrain.

Higher Employment Densities in Office Space. Since the recovery from the Great Recession, office end users and technology tenants have begun to seek office space with open floor plans to both encourage interaction among employees as well as accommodate more employees in their office space to reduce real estate costs. As a result, owners of existing properties have had to open up their building interiors as part of building renovation programming. This trend has also led to increased employment densities with the gross square feet of office per employees falling from 275 or 250 square feet per employee to 225 to 250 per employee. In some cases, this ratio has reached 200 square feet per employee. For this study, BAE uses a 250 square foot per employee factor for office demand calculations.

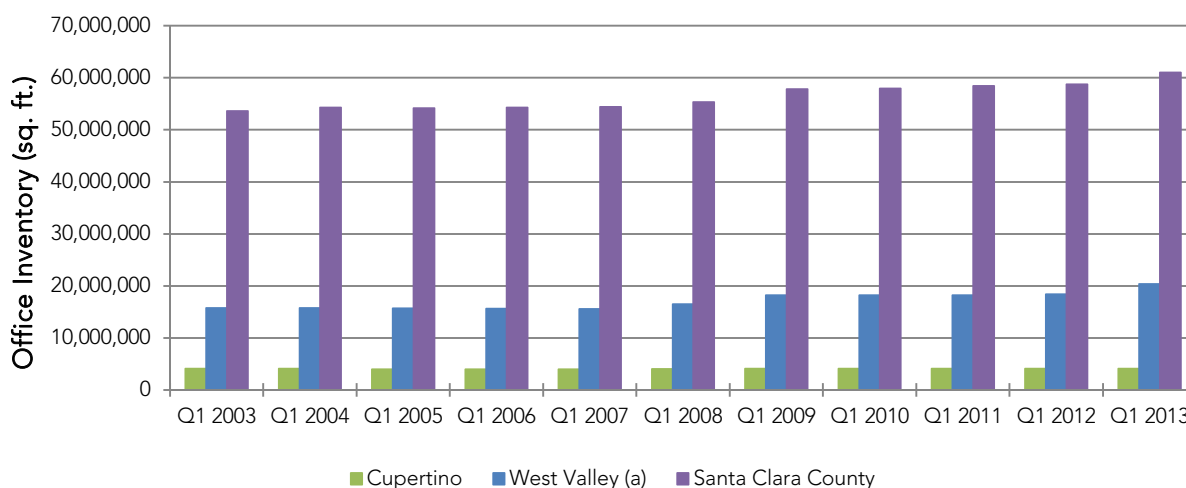
Response by Silicon Valley Communities. Cities in Silicon Valley and elsewhere have started to consider and implement strategies to reposition existing office parks and other suburban office locations to better respond to these trends and shifts in demand. In general, these strategies aim to better integrate suburban office development into the surrounding area

through mixed-use development and the addition of public spaces, bicycle paths, and pedestrian networks. Elements of a repositioning strategy can also include the construction of additional housing, particularly housing affordable to local workers, and expanding the mix of retail and entertainment options. Implementation of some or all of these strategies may be necessary for Cupertino to continue to capture a significant portion of future employment growth.

Inventory and Absorption Trends. Silicon Valley is a strong employment node with a large inventory of office space. According to data from commercial brokerage Cassidy/Turley, there were approximately 61 million square feet of office space in Santa Clara County as of the first quarter of 2013. The office inventory in Cupertino totaled approximately 4.1 million square feet, one fifth of the West Valley office inventory (20.3 million square feet). Existing office development in Cupertino is distributed primarily along Stevens Creek Boulevard, De Anza Boulevard, and North Wolfe Road. A large office site north of Interstate 280 at North Wolfe Road is located on the site of the proposed new Apple campus and would be demolished to construct the new campus.

The amount of office space in Cupertino has been essentially unchanged over the past decade, according to data from Cassidy Turley. As shown in Figure 15, Cupertino had approximately 4 million square feet of office space in 2003, and there have been only minor fluctuations through the first quarter of 2013. Meanwhile, there were modest increases in the office inventory in the West Valley submarket (from 15.7 million square feet in the first quarter of 2003 to 20.3 million square feet in the first quarter of 2013) and in Santa Clara County overall (from 53.6 million square feet in the first quarter of 2003 to 61.0 million square feet in the first quarter of 2013).

Figure 15: Office Inventory, 2003-2013



Note:

The West Valley submarket defined for this figure consists of Campbell, Cupertino, Santa Clara, and Sunnyvale.

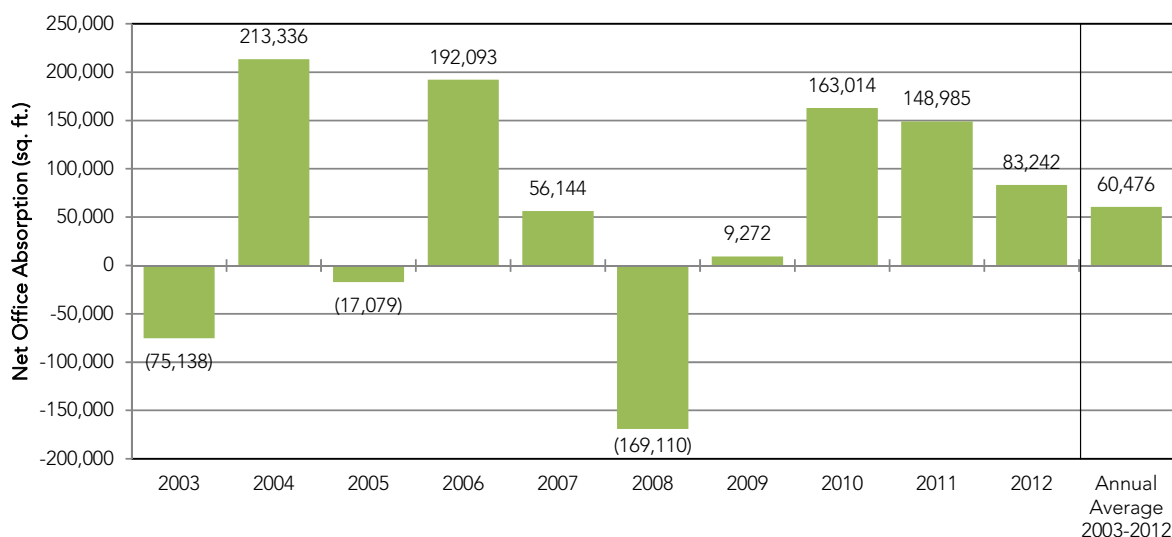
Sources: Cassidy/Turley, 2013; BAE, 2013.

In the real estate market, gross absorption measures the total square feet space leased over a defined time period, while net absorption measures the total square feet of space leased over a defined time period after subtracting the amount of existing space vacated or new space added to the inventory during the same period.

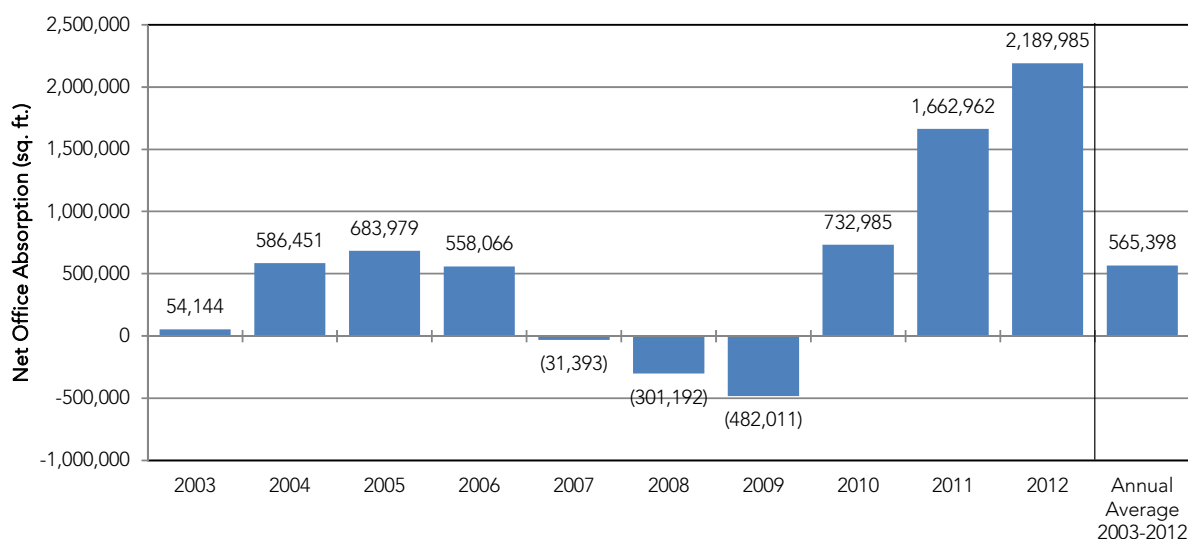
Net office absorption in Cupertino and the West Valley submarket has varied substantially over the past two business cycles. Figure 16 and Figure 17 show net annual absorption in Cupertino and the West Valley submarket between 2003 and 2012. As shown, net annual absorption in Cupertino ranged from -169,110 square feet in 2008 to 213,336 square feet in 2004. Net annual absorption in the West Valley submarket ranged from -482,011 square feet in 2009 to almost 2.2 million square feet in 2012.

Despite some years with considerable amounts negative net absorption, both Cupertino and the West Valley submarket showed positive average net annual absorption over time. Annual net absorption between 2003 and 2012 averaged approximately 60,500 square feet per year in Cupertino and approximately 565,400 square feet per year in the West Valley submarket overall, demonstrating long-term growth.

Figure 16: Annual Net Office Absorption, Cupertino, 2003-2012



Sources: Cassidy/Turley, 2013; BAE, 2013.

Figure 17: Annual Net Office Absorption, West Valley, 2003-2012

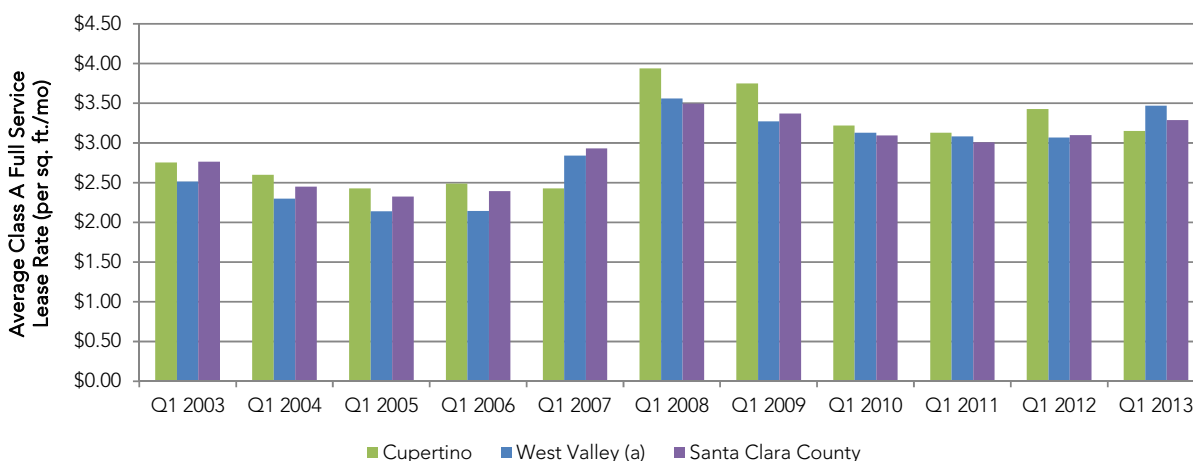
Note:

The West Valley submarket defined for this figure consists of Campbell, Cupertino, Santa Clara, and Sunnyvale.

Sources: Cassidy/Turley, 2013; BAE, 2013.

Vacancy and Rental Rate Trends. Similar to net absorption, lease and vacancy rates in Cupertino, the West Valley submarket, and Santa Clara County have demonstrated a significant amount of variation over two business cycles between 2003 and 2013. However, the Cupertino office market has performed strongly over this time period relative to the West Valley submarket and Santa Clara County overall. Figure 18 shows first quarter average Class A full service office lease rates for Cupertino, the West Valley submarket, and Santa Clara County, and Figure 19 shows average office vacancy rates for Cupertino, the West Valley submarket, and Santa Clara County, according to data provided by Cassidy/Turley.

As shown, lease rates for Class A office space in Cupertino are typically higher than Class A lease rates in the West Valley submarket or Santa Clara County overall. The average Class A lease rate in all three geographies peaked in 2008, with first quarter lease rates averaging \$3.94 per square foot per month in Cupertino, \$3.56 per square foot per month in the West Valley submarket, and \$3.49 per square foot per month in Santa Clara County. Class A lease rates have decreased slightly in subsequent years, though averages have remained higher than \$3.00 per square foot per month in the city, submarket, and county. As of the first quarter of 2013, the average full service Class A office lease rates in Cupertino was slightly lower than rates in the submarket and county at \$3.15 per square foot per month. However, trends over time suggest that Class A properties in Cupertino typically rent for higher rates than average for the submarket and county.

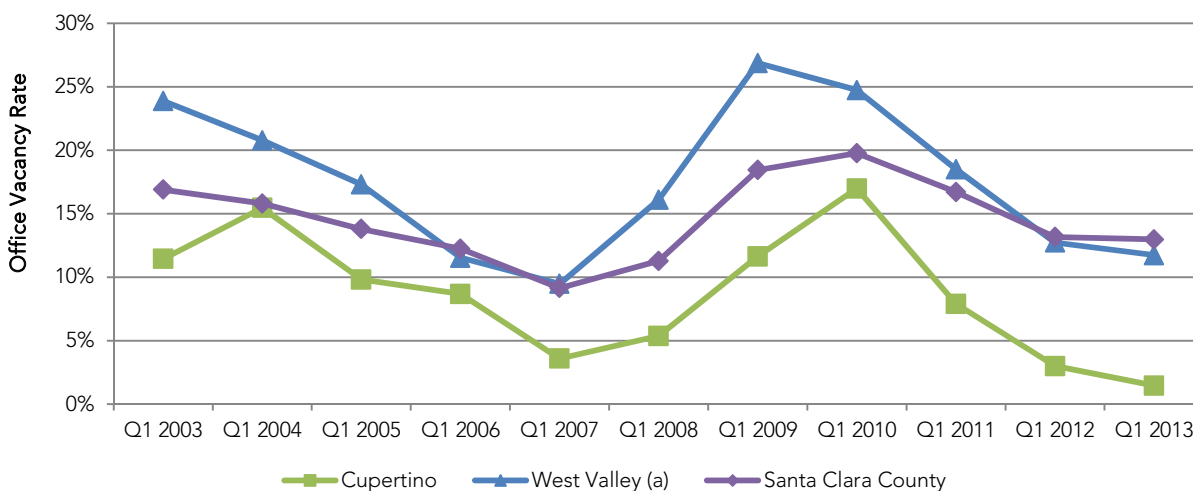
Figure 18: Class A Office Lease Rates, First Quarter 2003 to First Quarter 2013

Note:

(a) The West Valley submarket defined for this figure consists of Campbell, Cupertino, Santa Clara, and Sunnyvale.

Sources: Cassidy/Turley, 2013; BAE, 2013.

Although first quarter office vacancy rates fluctuated substantially in Cupertino between 2003 and 2013, with a high of 17.0 percent in 2010 and a low of 1.5 percent in 2013, the vacancy rate in Cupertino has consistently been lower than vacancy rates in the West Valley submarket and Santa Clara County overall. The low vacancy rate in the first quarter of 2013, coupled with trends demonstrating the low vacancy rate in Cupertino relative to other markets, indicates high demand for Cupertino office space in the short term and over time.

Figure 19: Office Vacancy Rates, First Quarter 2003 to First Quarter 2013

Note:

(a) The West Valley submarket defined for this figure consists of Campbell, Cupertino, Santa Clara, and Sunnyvale.

Sources: Cassidy/Turley, 2013; BAE, 2013.

According to office brokers familiar with Cupertino, the city's low office vacancy rate, shortage of large office spaces available for rent, and high office lease rates prevent many businesses from locating in Cupertino and often cause small companies to leave the City in order to

expand. Cupertino City Center, which is considered by local brokers to be the city's premier office building, has been 100 percent occupied for over a year. It now has one 8,200-square foot space available and will have two additional small spaces becoming available over the next six months, but these spaces are expected to fill quickly. Rents at Cupertino City Center are \$4.00 per square foot per month, triple net, or approximately \$5.00 per square foot on a full service basis. The Cupertino Financial Center, which local brokers consider to be the most prestigious building in the City apart from Cupertino City Center, has less than 1,000 square feet available for rent at \$4.50 per square foot per month, full service. Asking rents for other spaces on the market range from approximately \$2.00 to \$3.50 per square foot per month on a full service basis. There are no available office spaces in Cupertino larger than 8,200 square feet and it is reported that there have been no vacancies larger than 10,000 square feet in the City for at least a year. An inventory of currently leasing office properties in Cupertino is shown in Appendix G-1.

Planned and Proposed Office Development. As shown in Appendix H-1, there are four office developments in the project pipeline in Cupertino, which would add one million net new square feet (3.8 million gross new square feet) of office space to the city. The largest development in the project pipeline is the 3.4 million square foot Apple Campus 2 project, which was approved in October 2013 and is currently under building permit review. The project is planned in two phases, the first consisting of 2.8 million square feet of office space in a four-story building, a 1,000-seat auditorium, a fitness center, and parking structures. The second phase would include 600,000 additional square feet of office and research facilities. According to the Economic and Fiscal Impact study for the campus, prepared by Keyser Marston Associates in May 2013, the campus would have a total capacity of 14,200 employees. The plans call for demolition of 2.65 million square feet of office space, resulting in a net increase of 750,000 square feet of office space resulting from the project.

The remaining three office developments in the project pipeline consist of an estimated 294,000 square feet of net new office space which would expand the city's existing inventory by approximately 7.4 percent. The majority of this space would be in Main Street Cupertino, a mixed-use development that includes 260,000 square feet of office space, 130,500 square feet of retail space, 180 hotel rooms, and 120 residential units. Additional office space has been planned in the Oaks Shopping Center project, a mixed-use development with a four-story, 122-room hotel and a three-story, 56,000-square foot retail, office, and convention center building. The plans for the Oaks Shopping Center call for demolition of 2,430 square feet of retail space and 15,263 square feet of movie theater space. This study estimates that the 56,000 square feet of commercial space in the Oaks Shopping Center project would be divided evenly between retail, office, and convention center, with almost 19,000 square feet for each use. The remaining office square footage consists of demolition of five office buildings totaling 140,000 square feet at One Results Way and construction of 155,000 square feet of office space in three two-story buildings along with a two-story parking garage. All three projects have received the necessary entitlements but are not yet under construction. It should be noted that the Oaks Shopping

Center project was approved in September 2008, and its entitlement will expire in September 2014 unless building permits are approved.

Retail Real Estate Market Overview

The data presented here and in the Retail Sales and Leakage Analysis are also used as foundational information for the separate Retail Strategy Report prepared by Greensfelder Commercial Real Estate.

Retail Market Context. Santa Clara County provides a relatively robust retail sector, with several regional malls, lifestyle centers, and other types of destination retail along with community-serving retail options. Terranomics, which collects data on shopping centers of 50,000 square feet or more, reports that the retail inventory in Santa Clara County totaled approximately 38 million square feet in the fourth quarter of 2012. This represents 31 percent of the Bay Area retail inventory, while only 25 percent of the region's population and 23 percent of its households lived in Santa Clara County as of the 2010 US Census.

Retail development in Cupertino is somewhat dispersed along Stevens Creek Boulevard, De Anza Boulevard, and Wolfe Road, which constitute the primary commercial corridors in Cupertino. The Vallco Shopping Center, on North Wolfe Road and Stevens Creek Boulevard, is the largest retail node in the city, and is one of the study areas for the GPA. Although Vallco is a regional mall, it has experienced high vacancy in its in-line shop space in recent years and is not able to compete with newer destination retail centers in neighboring cities, particularly Valley Fair shopping center in Santa Clara and lifestyle centers such as Santana Row in San Jose¹⁷.

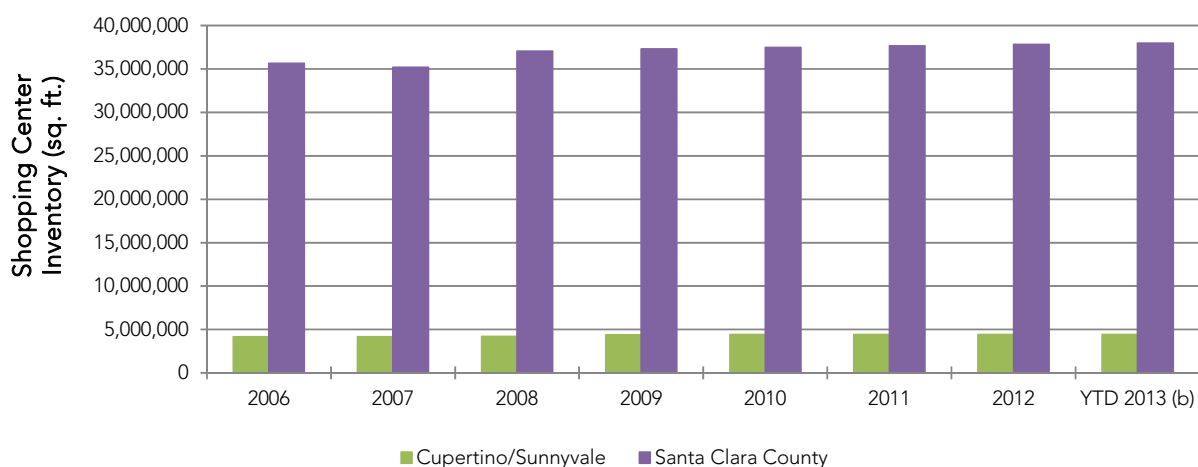
The remaining retail space in Cupertino consists primarily of neighborhood and community-serving retail centers. Along Stevens Creek Boulevard, retail options include the Oaks Shopping Center, Cupertino Crossroads Shopping Center, a stand-alone Whole Foods store, and a retail cluster that includes a Target store. As discussed in the section above, there is an approved development plan for the site of the Oaks Shopping Center that would demolish the existing movie theater and a portion of the existing retail space on site to construct a new retail, office, and convention center space and a 122-room hotel. There are several additional community-serving shopping centers on De Anza Boulevard and North Wolfe Road, including two Ranch 99 supermarkets. The Cupertino Village shopping center, which is north of Interstate 280 on North Wolfe Road, is also one of the study areas for the GPA.

Inventory and Absorption Trends. Similar to the inventory of office space, the amount of retail space in Cupertino has not changed substantially in recent years, according to data from

¹⁷ A full description of the Vallco Shopping Center and strategies to redevelop and revitalize this shopping facility is presented in the Retail Strategy Study.

commercial brokerage Terranomics, which tracks shopping centers measuring 50,000 square feet or more. Terranomics combines Cupertino and Sunnyvale in to a single submarket for data reporting purposes. As shown in Figure 20, Cupertino and Sunnyvale had approximately 4.2 million square feet of retail space in 2006, which increased modestly to 4.4 million square feet by the second quarter of 2013, an increase generally consistent with the increase in retail inventory experienced by Santa Clara County (growing from 35.6 million square feet in 2006 to 38.0 million square feet in the second quarter of 2013).

Figure 20: Retail Inventory, 2006-2013 (Year to Date) (a)



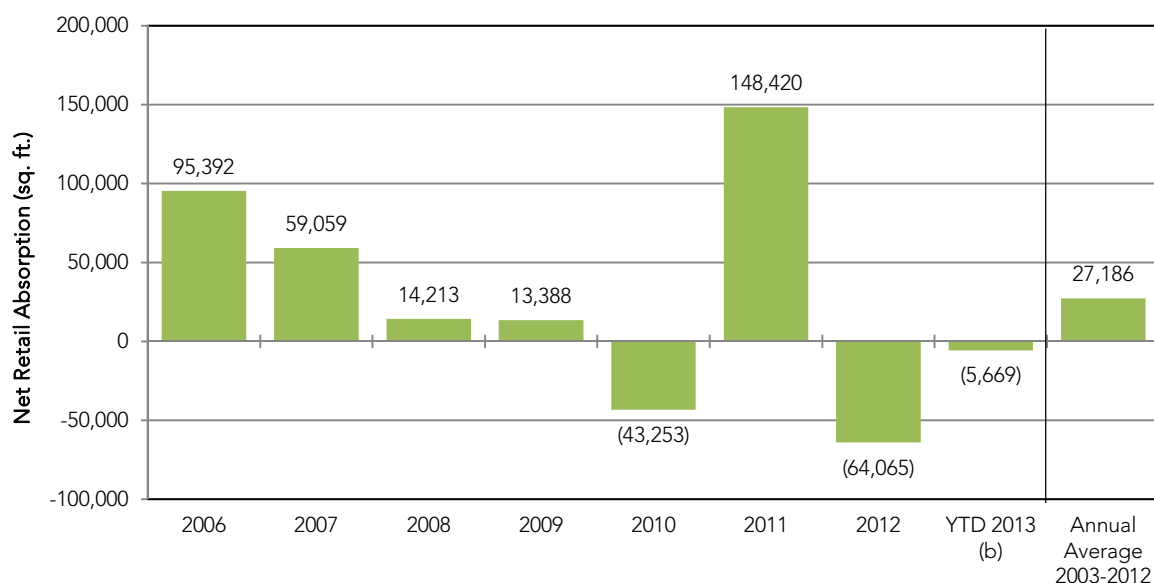
Notes:

(a) Data are for shopping centers with 50,000 square feet or more.

(b) Year-to-date data are through the second quarter of 2013.

Sources: Terranomics, 2013; BAE, 2013.

With the exception of a couple years directly following the 2008 real estate market crash and Great Recession, net annual retail absorption in Cupertino/Sunnyvale and Santa Clara County was generally positive between 2006 and 2013. Figure 21 and Figure 22 show net annual absorption in Cupertino/Sunnyvale and Santa Clara County between 2006 and the second quarter of 2013. As shown, net annual absorption in the Cupertino/Sunnyvale submarket ranged from -64,065 square feet in 2012 to 148,420 square feet in 2011. Net annual absorption in Santa Clara County overall ranged from -627,842 square feet in 2009 to 934,119 square feet in 2007. Overall both the Cupertino/Sunnyvale submarket and Santa Clara County experienced net positive absorption over this time period.

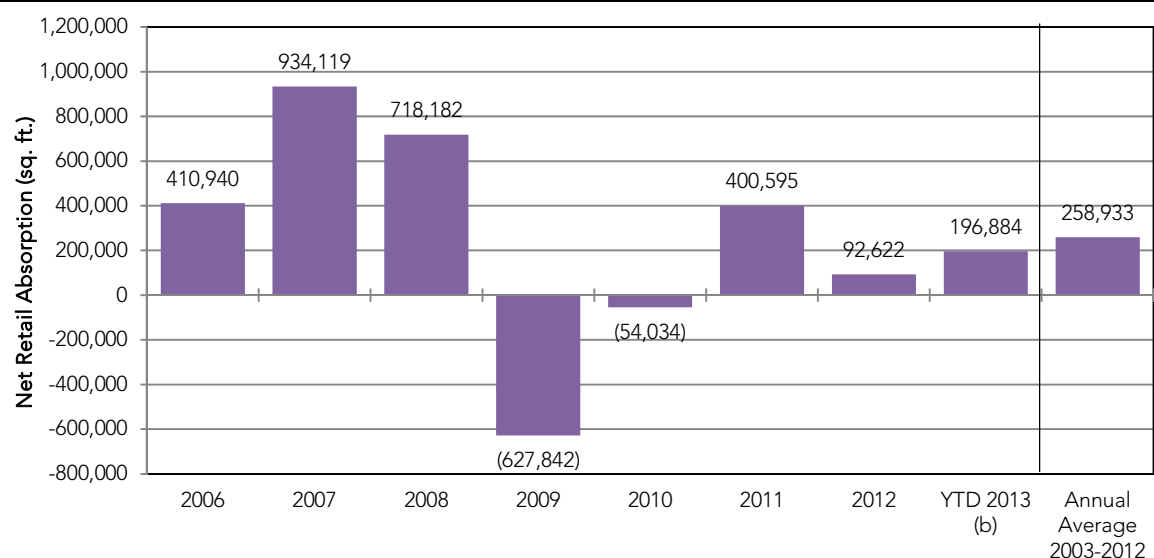
Figure 21: Net Annual Retail Absorption, Cupertino, 2006-2013

Notes:

(a) Data are for shopping centers with 50,000 square feet or more.

(b) Year-to-date data are through the second quarter of 2013.

Sources: Terranomics, 2013; BAE, 2013.

Figure 22: Net Annual Retail Absorption, Santa Clara County, 2006-2013

Notes:

(a) Data are for shopping centers with 50,000 square feet or more.

(b) Year-to-date data are through the second quarter of 2013.

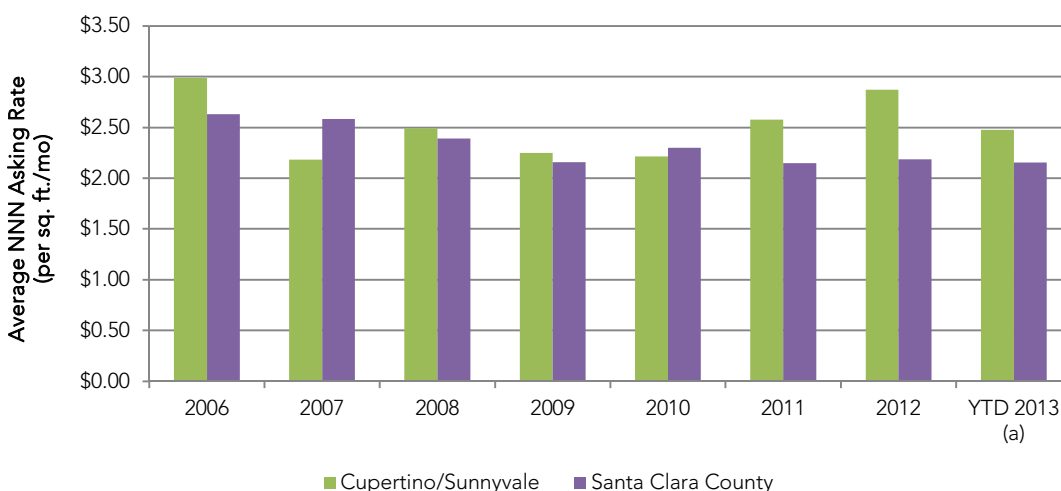
Sources: Terranomics, 2013; BAE, 2013.

Vacancy and Rental Rates. Data from Terranomics on retail vacancy and asking rents suggest that the retail real estate market in Santa Clara County and the Cupertino/Sunnyvale submarket has not fully recovered from the recent recession; however, the Cupertino/Sunnyvale submarket has demonstrated a slightly stronger recovery. (See Table 23). Although retail asking rents in

Cupertino/Sunnyvale trended downward between 2006 and 2010, average triple net asking rents increased from \$2.21 per square foot per month in 2010 to \$2.87 per square foot per month in 2012. As of the second quarter of 2013, the average retail asking rent had fallen to \$2.48 per square foot per month on a triple net basis, demonstrating continuing fluctuations in the market. Retail asking rents also decreased in Santa Clara County between 2006 and 2009, but have remained at approximately 2009 levels in subsequent years.

As of the second quarter of 2013, retail asking rents in Santa Clara County averaged \$2.15 per square foot per month on a triple net basis. Online property listings suggest that retail leasing activity in Cupertino is relatively healthy. (See Appendix G-2 for retail listings). Retail properties currently available for lease in Cupertino generally range in price from \$2.25 to \$4.50 per square foot per month on a triple net basis.

Figure 23: Retail Lease Rate Trends, 2006-2013



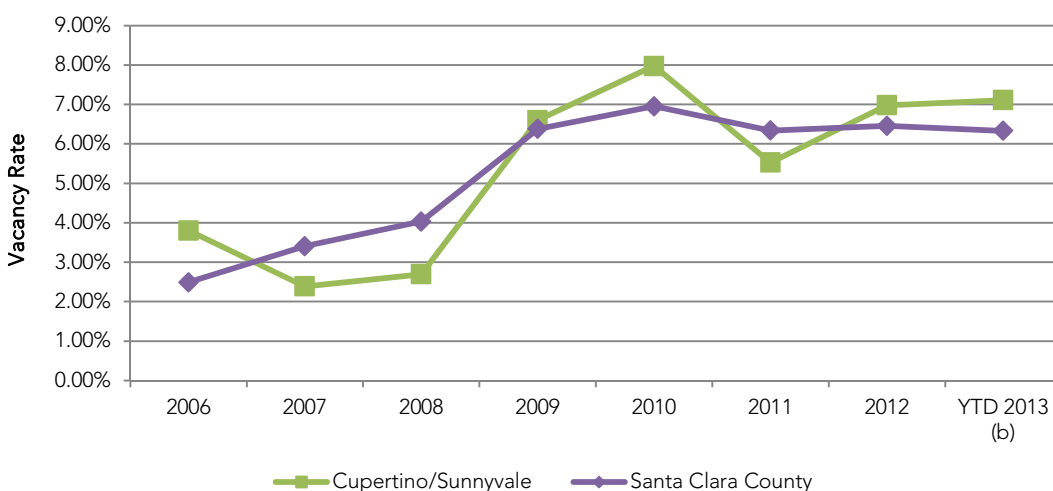
Notes:

(a) Data are for shopping centers with 50,000 square feet or more.

(b) Year-to-date data are through the second quarter of 2013.

Sources: Terranomics, 2013; BAE, 2013.

Occupancy rates in Cupertino/Sunnyvale and Santa Clara County also demonstrate that the market is continuing to recover from the recession. (See Figure 24). Cupertino/Sunnyvale and Santa Clara County had retail vacancy rates averaging four percent or lower between 2006 and 2008, followed by large increases in vacancy in 2009 and 2010. At the peak in 2010, the average vacancy rate was eight percent in Cupertino/Sunnyvale and seven percent in Santa Clara County. Vacancy rates have decreased slightly in following years, ending the second quarter of 2013 at seven percent in Cupertino/Sunnyvale and six percent in Santa Clara County overall. While higher than pre-recession vacancy rates, these current rates are not outside of a range typically seen in relatively heavy markets.

Figure 24: Retail Vacancy Trends, 2006-2013

Notes:

(a) Data are for shopping centers with 50,000 square feet or more.

(b) Year-to-date data are through the second quarter of 2013.

Sources: Terranomics, 2013; BAE, 2013.

Planned and Proposed Retail Development. As shown in Appendix H-1, retail projects in the development pipeline in Cupertino include 321,700 net square feet currently under construction and 30,900 net square feet approved but not yet under construction. Projects currently under construction include the addition of 101,000 net new square feet of retail space at the Homestead Square shopping center, the Main Street Cupertino project (130,500 square feet of new retail), the Rose Bowl (59,800 square feet of new retail), Cupertino Village (24,500 square feet of new retail), the Biltmore project with 7,000 square feet of retail, and a 20,000-square foot cafeteria for Apple employees.

In addition to the projects currently under construction, there are three approved projects with planned retail space that are not yet under construction: the Oaks Shopping Center (estimated at approximately 19,000 net new square feet of retail), Saich Way Station, a redevelopment of existing retail space resulting in a net increase of 4,000 square feet of retail, and Tantau Retail, a planned 11,000-square foot retail building and parking garage.

Hotel Market Overview

Hotel Product Types

Hotels and other lodging facilities offer a variety of product types with considerable variation in price and amenities. In addition to traditional hotels offering a range of amenity levels (often categorized as either full service, select service, or limited service lodging facilities), many hotel markets include extended stay hotels, resort hotels, boutique hotels, eco-resorts, or other types of lodging facilities.

Full service lodging typically offers a full range of amenities, including dining, room service, concierge, assistance with luggage, and meeting or party rooms. Lodging facilities offering these amenities are most commonly located in large cities and cater to leisure and business travelers. Limited service lodging facilities do not offer the labor-intensive amenities offered at full-service hotels, and are often smaller properties located at freeway interchanges or near airports. Select service lodging offers a wider range of amenities than limited service hotels, but fewer amenities than are typical of full service hotels. For example, select service hotels might offer coffee and limited breakfast options in the lobby but are not likely to offer room service. With all else equal, the pricing of lodging facilities generally increases with the level of service and amenities offered.

Extended-stay hotels and resort hotels provide variations on traditional hotels that respond to particular segments of lodging demand. Extended-stay hotels are typically designed to be suitable for long trips by including features such as in-suite kitchen facilities, larger rooms, exercise facilities, and grocery service, and are often marketed to business travelers. Similar to more traditional hotels, extended-stay hotels show variation in price, services, and amenities. Resort hotels are typically developed as destinations, so that the resort itself is the reason for selecting a location as a travel destination, and are targeted to leisure travelers. Resorts typically offer full service dining facilities, swimming pools, spas, customized recreation services (or assistance in arranging these nearby), and general concierge services. The location, recreation, and service amenities offered at a resort are reflected in the pricing of the rooms.

Over the past decade, the range of hotel product types has expanded with the increasing popularity of boutique hotels, agri-tourism, and ecotourism. Boutique hotels typically offer a strong design theme, which is reinforced with touches throughout the hotel. Examples of large operators who have specialized in boutique hotels in California include Kimpton, which operates one hotel in Cupertino, and Joie de Vivre. Boutique hotels are usually select service facilities and thus do not cater to visitors seeking multi-night stays with full amenities on-site, which reduces operating costs and room rates compared to luxury hotels.

Agri-tourism includes a number of activities that bring people to a farm or ranch for recreational purposes, and is not limited to overnight trips. Examples of agri-tourism activities include fruit picking, horse riding, purchasing food from farm stands, and overnight visits at farms or ranches.

Ecotourism allows some human access to sensitive environmental lands while limiting the environmental impact of travel to these areas. In place of a traditional hotel or luxury resort, lodging provided at eco resorts often consists of luxury tents or yurts.

Santa Clara County and Cupertino Hotel Market

Hotel Market Context. In Santa Clara County and throughout Silicon Valley, business-related travel is a key driver of demand for lodging uses, generated primarily by high-tech companies in the area and the businesses providing goods or services to them. As a result, lodging options in the area consist primarily of traditional hotels (including full, select, and limited service options), extended stay hotels, and boutique hotels. Smith Travel Research (STR), a private data vendor that provides information on performance trends in the lodging industry, tracks 271 properties in Santa Clara County with a combined total of 26,044 rooms. Previous research conducted by BAE suggests that the STR database includes at least 95 percent of all hotel rooms in Silicon Valley.

Due in part to the large amount of business-related travel to Silicon Valley, extended stay hotels in the area tend to have fairly high occupancy rates. A recent study by BAE found that the occupancy rate in a selection of upscale chain extended stay hotels in San Mateo and Santa Clara Counties was 82 percent in 2012, according to STR, compared to approximately 61 percent for all hotels tracked by STR nationwide. In general, hotel occupancy rates over 70 percent are considered high.

Inventory. There are five hotels in Cupertino with a total of 785 rooms: Cupertino Inn, Courtyard San Jose/Cupertino, Hilton Garden Inn Cupertino, Kimpton Cypress Hotel, and aloft Cupertino. Although each of these hotels offers many amenities and services, none offer the in-suite kitchen facilities that are typical of extended-stay hotels in Silicon Valley. (See Figure 25). Two additional proposed hotels would add 302 new hotel rooms to the city, and are discussed below. The newest of the five existing hotels is the aloft Hotel, which opened in 2013, while the oldest is the Cupertino Inn, which opened in 1987. The owner of the Cupertino Inn has expressed interest in constructing a 200- to 250-room hotel on an adjacent site as an expansion of the existing hotel.

Figure 25: Hotel Inventory, Cupertino, 2013

Hotel	Lodging Type	Room Rates (per night) (a)		Pool	Gym	Internet	Room Service
		Weekday	Weekend				
Cupertino Inn	Full Service	\$209	\$99	X	X	X	X
Courtyard San Jose/Cupertino	Full Service	\$289-\$309	\$119-\$159	X	X	X	
Hilton Garden Inn Cupertino	Full Service	\$228-\$333	\$92-\$117	X	X	X	X
Kimpton Cypress Hotel	Full Service	\$298-\$389	\$116-\$239		X	X	X
aloft Hotel	Full Service	\$124-\$349	\$109-\$179	X	X	X	

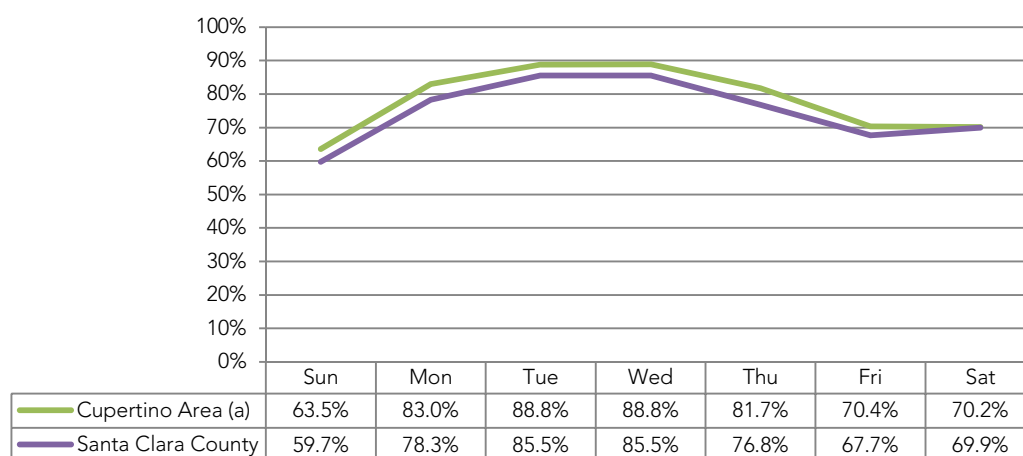
Note:

(a) Nightly room rates for Cupertino Inn are based on interviews with hotel staff. Nightly room rates for the remaining four hotels are based on a survey of advertised room rates for Saturday, August 3rd and Monday, August 5th.

Sources: cupertinoinn.com, 2013; marriot.com, 2013; hiltongardeninn3.hilton.com/en/index.html, 2013; thecypresshotel.com, 2013; starwoodhotels.com, 2013; BAE, 2013.

Occupancy and RevPAR. Demand for hotel rooms in Cupertino tends to be significantly higher during the week than on weekends, indicating that business travel is the primary source of hotel demand in the area, while leisure travel constitutes a relatively small portion of demand. Figure 26 shows occupancy rates for Santa Clara County and for midscale, upscale, and upper-upscale hotels within two miles of Cupertino, according to STR. As shown, occupancy rates among these hotels are highest on Tuesday and Wednesday nights, reaching 89 percent in mid-to upscale Cupertino area hotels and 86 percent in the County overall. Additionally, hotel operators in Cupertino estimate that 70 to 75 percent of hotel room demand in Cupertino is due to business travel, with occupancy rates frequently reaching 90 to 100 percent during the week and falling to lower levels during the weekend. Hotel room rates reflect this trend, with higher rates during the week than on weekend nights.

Figure 26: Occupancy by Day of Week, August 2012-July 2013



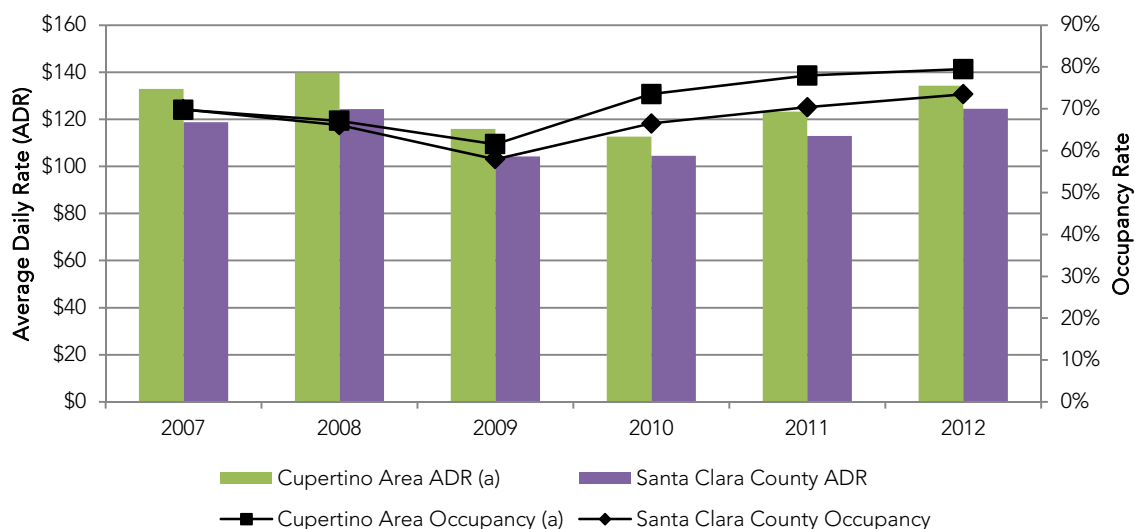
Note:

(a) Hotels sampled for the Cupertino Area include all upper midscale class, upscale class, and upper upscale class hotels within two miles of Cupertino.

Sources: STR, 2013; BAE, 2013.

Hotel price and occupancy rates have shown steady increases as the economy has recovered over the past few years, indicating a strong hotel market in Cupertino and Santa Clara County. According to STR data presented in Figure 27, the average daily rate per room (ADR) for hotels in the Cupertino area and in Santa Clara County overall has increased in recent years, following a decrease in 2009 and 2010. In 2012, the average hotel occupancy rate in the Cupertino area reached 79 percent in the Cupertino area and 73 percent in Santa Clara County, surpassing occupancy rates seen during the previous five years. As a result of high occupancy rates, hotel revenues in 2012 exceeded 2008 revenues, despite have a lower ADR.

Figure 27: Hotel Average Daily Rate and Occupancy Rate, 2007-2012



Note:

(a) Hotels sampled for the Cupertino Area include all upper midscale class, upscale class, and upper upscale class hotels within two miles of Cupertino.

Sources: STR, 2013; BAE, 2013.

Planned and Proposed Lodging Development. The city's development pipeline includes 302 new hotel rooms in two-mixed use developments, as discussed in the previous sections. Plans for the Oaks Shopping Center include 122 new hotel rooms along with office, retail, and convention center uses and plans for Main Street Cupertino include 180 new hotel rooms along with office, retail, and residential uses. Both projects have received development entitlements but are not yet under construction. See Appendix H-1 for a listing of planned and proposed hotel projects.

POTENTIAL MARKET SUPPORT FOR NEW DEVELOPMENT

As discussed in the previous sections, demand for housing, office, retail, and lodging appears to be healthy at the present time and long-term trends indicate market potential for additional development in key areas throughout the city. Based on past and current trends, projected future development, and planned and proposed projects, the following sections provide estimates of the market potential for future development in Cupertino.

Demand estimates are made to 2020, to reflect near term demand, and then to 2035 to indicate the total cumulative demand over the entire planning timeframe.

Population, Household and Employment Projections

The Association of Bay Area Governments (ABAG) in collaboration with the Metropolitan Transportation Commission (MTC) is the regional agency responsible for preparing demographic and economic projections for the nine-county Bay Area region. ABAG and MTC released the most recent demographic projections in July 2013. These projections, known as the Final Forecast of Jobs, Population and Housing are part of the One Bay Area Plan and represent broad policy-based jobs and housing demand and production targets. The One Bay Area Plan implements the California Sustainable Communities and Climate Protection Act of 2008 (California Senate Bill 375, Steinberg), which requires each of the state's 18 metropolitan areas, including the Bay Area, to reduce greenhouse gas emissions from cars and light trucks. As an integral element of the One Bay Area Plan, the final projections indicate future growth throughout the Bay Area through 2040 based on a regional model that estimates overall population and employment growth.¹⁸ That growth is then allocated to various jurisdictions and subareas based on an inventory of available land for development as well as policy objectives.¹⁹

According to ABAG figures, the Bay Area is projected to experience household, housing unit, and employment growth between 2010 and 2040. The rate of household and housing unit growth in Santa Clara County is expected to be slightly higher than the regional rate of growth, while employment growth in the county is expected to be similar to the regional growth rate.

Growth projections for Cupertino indicate steady growth in households, housing units, and employment between 2010 and 2040, (See Table 29). Overall, figures from ABAG indicate that

¹⁸ From the One Bay Area Plan released July, 2013 and available for download at: http://onebayarea.org/pdf/final_supplemental_reports/FINAL_PBA_Forecast_of_Jobs_Population_and_Housing.pdf.

¹⁹ The last set of projections prior to the One Bay Area Plan was ABAG's "Projections 2009" which breaks population and employment projections down into five-year increments; ABAG anticipates release of its Projections 2013 this fall or winter.

Cupertino will gain almost 5,000 households and over 7,000 jobs between 2010 and 2040, based upon the City's land inventory and ABAG policy objectives.

Table 29: Population, Household, and Employment Projections, 2010 and 2040

			Annual % Change 2010-2040	Total % Change 2010-2040
Households	2010	2040 (a)		
Cupertino	20,180	24,040	0.6%	19.1%
Santa Clara County	604,200	818,390	1.0%	35.5%
Bay Area (b)	2,608,020	3,308,110	0.8%	26.8%
Housing Units				
Cupertino	21,030	24,040	0.4%	14.3%
Santa Clara County	631,920	842,350	1.0%	33.3%
Bay Area (b)	2,785,950	3,446,640	0.7%	23.7%
Employment				
Cupertino	26,090	33,110	0.8%	26.9%
Santa Clara County	926,270	1,229,520	0.9%	32.7%
Bay Area (b)	3,385,310	4,504,940	1.0%	33.1%

Notes:

(a) Projections from ABAG Jobs-Housing Connection Strategy, May 16, 2012.

(b) The nine-county Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma counties.

Sources: ABAG, 2012; BAE, 2013.

Housing Demand

Projected demand for new residential development in Cupertino is based on ABAG's projected residential growth in the West Valley submarket. For the purposes of the residential analysis, the West Valley submarket includes Cupertino, Campbell, Los Altos, Santa Clara, Saratoga, and Sunnyvale. As shown in Table 30, the One Bay Area Plan estimates that the West Valley submarket will gain approximately 42,400 housing units between 2010 and 2040, at an average rate of approximately 1,400 units per year. The One Bay Area Plan estimates that Cupertino will gain approximately 3,800 residential units between 2010 and 2040, constituting just under nine percent of West Valley's housing growth.

Table 30: Projected Housing Unit Growth, West Valley, 2010-2040

	Housing Units		Housing Unit Growth	Average Annual Housing Unit Growth
	2010	2040	2010-2040	2010-2040
West Valley	160,030	202,470	42,440	1,415
Cupertino	21,030	24,790	3,760	125
Campbell	16,950	19,990	3,040	101
Los Altos	11,200	12,310	1,110	37
Santa Clara	45,150	58,930	13,780	459
Saratoga	9,910	11,640	1,730	58
Sunnyvale	55,790	74,810	19,020	634
Cupertino Share of West Valley	13.1%	12.2%	8.9%	8.9%

Sources: ABAG & MTC, 2012; BAE, 2013.

Table 31 shows a low estimate of demand for housing in Cupertino by 2020 and 2035 along with a more aggressive high estimate. The conservative low estimate assumes that Cupertino will capture approximately 9 percent of residential growth in the West Valley submarket, at an average rate of 125 units per year, as shown in the One Bay Area Plan. The high estimate assumes that Cupertino will capture a larger share of projected growth in the West Valley between 2013 and 2035, 15.5 percent, at an average annual rate of 219 units per year. This higher capture rate was set at 175 percent of the low capture rate and assumes that the city updates its Housing Element to strengthen its jobs-housing balance by expanding housing opportunities in light of strong demand.

After subtracting housing units that have been entitled or are under construction, the low estimate results in estimated demand for 473 housing units by 2020 and 2,353 housing units by 2035 under the low estimate with the City's 8.9 percent of the West Valley housing market. Under the high estimate, BAE estimates demand for 1,131 units by 2020 and 4,420 housing units by 2035. Note that the projected numbers for 2035 are cumulative and include projection for 2020.

Table 31: Projected Housing Demand, Cupertino, 2020-2035

Projected Housing Demand	2020	2035
Low Estimate		
Gross New Housing Unit Demand	877	2,757
Less: Entitled Housing Units	404	404
Net New Housing Unit Demand	473	2,353
High Estimate		
Gross New Housing Unit Demand	1,535	4,824
Less: Entitled Housing Units	404	404
Net New Housing Unit Demand	1,131	4,420
Assumptions		
Cupertino Capture of West Vally Growth		
Low Estimate Scenario	8.9%	
High Estimate Scenario @ 175% of Low	15.5%	
Average # of Units Built/Year		
Low Estimate Scenario	125	
High Estimate Scenario	219	

Source: BAE, 2013.

As discussed in the residential real estate portion of this analysis, demand for housing in Cupertino over the past decade has been strong, with high prices and little impact from the recent recession. As a result, market demand is unlikely to be a limiting factor preventing housing growth in Cupertino between now and 2035, and may exceed the estimates presented in Table 31 above. Instead, factors such as the availability of land, local policies regarding residential development, and community support or opposition to housing growth are expected to set the upper bound of potential housing growth in Cupertino over the next 20 years or more.

Although market support can be anticipated for most housing types, the demographic and real estate analysis suggests that there is a particularly large amount of unmet demand for residential development to serve the housing needs of young members of the workforce. As discussed in previous sections, Cupertino has a small share of young adult residents and workers, which is likely due largely to the high cost of housing in the city. Future residential development in Cupertino can better meet this segment of demand by providing smaller, more affordable units adjacent to services, retail, and entertainment options.

Office Demand

The demand for office space in a particular location often shifts over time in response to economic and demographic changes. As discussed above, Cupertino currently has a strong office market, characterized by high rents and low vacancy rates, which suggests potential market support for additional office development in the city. The presence of Apple in Cupertino is a significant factor driving this high demand, both because Apple occupies a large amount of office space in the City and because other companies want to locate near the Apple campus. Some businesses choose to locate in Cupertino in order to do business with Apple, while others are spin-offs established by former employees of Apple Inc. The potential range of future demand for office space in Cupertino was estimated based on past office construction and absorption trends and employment projections for the City and the West Valley submarket.

Employment Projections

Future demand for office space can be estimated based on projected growth in employment and the amount of office space needed to accommodate anticipated growth. The One Bay Area Plan estimates that employment in the West Valley submarket will increase by 68,990 jobs between 2010 and 2040, as shown in Table 32. According to these estimates, the professional services industry, health and education industry, and leisure, hospitality, and other services industry are expected to account for much of the projected job growth in the West Valley submarket between 2010 and 2040.

Using 2011 ACS data showing occupation by industry for Santa Clara County, Table 32 estimates that office-based jobs will account for 70 percent of all new jobs in the West Valley submarket between 2010 and 2040. The estimated proportion of office jobs varies by industry, ranging from 24 percent for jobs in the construction industry to 91 percent for jobs in the information and financial activities industries. Based on these proportions, the anticipated job growth in the West Valley between 2010 and 2040 is expected to include approximately 49,000 office jobs, generating demand for approximately 12 million square feet of additional office space over the 30-year period, at an average rate of approximately 405,000 additional square feet of office space per year.

Table 32: Annual Office Space Demand Based on Projected Employment, West Valley, 2010-2040

Industry Sector	New Jobs 2010-2040 (b)	Percent Office (c)	Number of New Office Jobs	Total Sq. Ft. New Demand (d)	Annual Sq. Ft. 2010-2040
Agriculture & Natural Resources	(162)	27%	(44)	(10,955)	(365)
Construction	3,293	24%	796	199,045	6,635
Manufacturing & Wholesale	1,026	76%	779	194,642	6,488
Retail	3,400	82%	2,805	701,205	23,373
Transportation, Warehousing, & Utilities	930	44%	406	101,607	3,387
Information	4,391	91%	4,008	1,002,027	33,401
Financial Activities	1,681	91%	1,537	384,302	12,810
Professional Services	28,329	82%	23,182	5,795,548	193,185
Health & Education	14,781	75%	11,060	2,765,056	92,169
Leisure, Hospitality, & Other Services	10,381	33%	3,382	845,438	28,181
Government	939	70%	660	165,054	5,502
Total	68,990	70%	48,572	12,142,969	404,766

Notes:

(a) The West Valley submarket defined for this figure includes Campbell, Cupertino, Santa Clara, and Sunnyvale.

(b) New jobs by industry are from the Jobs-Housing Connection Strategy Employment Distribution released by ABAG and MTC in May 2012.

(c) The proportion of office jobs by industry is estimated based on 2011 ACS occupation by industry data for Santa Clara County.

(d) Total new office space demand is based on an average of:

250 square feet per office employee.

Sources: ABAG & MTC, 2012; ACS, 2011; BAE, 2013.

Recently Proposed Corporate Campuses

As documented above, Cupertino is an important employment location with a strong office real estate market, which suggests high existing and future demand for office development in the city. Due to the Cupertino's desirability as an office location, there is significant potential for the City to attract an additional corporate campus to accommodate an existing major employer or to attract a new major employer. From an economic development perspective, the City should have sufficient office allocations available to allow for a large corporate campus should the opportunity arise.

Over the past few years, a number of high-tech companies have proposed substantial corporate campuses in Silicon Valley cities that have recently been constructed, are currently under construction, or are seeking entitlements. The campuses shown in Table 33 are among these projects and range from approximately 500,000 to 2.5 million square feet, with the exception of Apple Campus 2, which has a much larger total square footage. To ensure that Cupertino has the flexibility to respond to future, unforeseen demand, or demand at a peak in the business cycle, an allocation for office space should be at least 2.0 million square feet.

Table 33: Corporate Campuses Recently Proposed by Silicon Valley Tech Companies

Company	Building Size (sq. ft.)	Location
Apple	3,400,000	Cupertino
Google	1,100,000	Mountain View (Bayfront NASA)
Gilead Sciences	2,500,000	Foster City
Samsung	680,000	North San Jose
NVIDIA	1,000,000	Santa Clara
Vmware Inc.	1,500,000	Palo Alto Stanford Research Park
New Construction	450,000	
Renovation	1,050,000	
Facebook Inc.	1,475,690	Menlo Park
East Campus	1,035,840	
West Campus	439,850	
SRI International	1,300,000	Menlo Park

Sources: Silicon Valley Business Journal, 2013; Bloomberg Business Week, 2013; The Registry, 2013; City of Cupertino, 2013; Facebook, 2012; BAE, 2013.

Projected Office Demand

The minimum projected demand for office space in Cupertino is estimated based on ABAG's projected employment growth in the West Valley and Cupertino's recent capture of West Valley office absorption. As shown previously in Figure 16, annual office absorption between 2003 and 2012 averaged 60,476 square feet in Cupertino and 565,398 square feet in the West Valley submarket, resulting in a 10.7 percent capture rate of West Valley office absorption in Cupertino. Applying this capture rate to the annual average office demand projection for the West Valley (shown in Table 32 above) results in estimated demand for office space in Cupertino averaging approximately 43,300 square feet per year. After accounting for projects currently entitled or under construction²⁰, this suggests that minimum net office demand will total approximately 156,000 square feet by 2020 and 805,400 square feet by 2035, as shown in Table 34.

However, the ABAG projections are general in nature and do not always capture the employment dynamic that introduced when a community is home to a major technology firm such as Apple Inc. Large technology companies tend to plan and grow in "spurts" that may or may not match regional projections. Furthermore, the agglomeration effect of being host to large technology companies (in terms of attracting or spinning-off firms) may not be fully captured in the projections. Hence, for the purpose of this analysis, BAE treats the Apple

²⁰ The analysis assumes that fifty percent of planned and proposed office space is ultimately constructed.

Campus 2 as an additional source of demand and presents data on large technology campus projects on the Peninsula and in Silicon Valley to indicate what potential demand may be and inform the City's planning process.

Table 34 factor in the capacity to accommodate the proposed Apple Campus 2 along with another new corporate campus equivalent in scale to the recent projects shown in Table 33, in addition to the minimum demand estimates that were developed based on projected employment. As shown, this results in a net new demand of approximately 2.9 million square feet by 2020 and 3.6 million square feet by 2035. Given the recent shortage of office spaces in Cupertino containing more than 10,000 contiguous square feet, a new recommended office allocation could also allow for multi-tenant office developments, which could create the space needed for mid-size companies to grow in Cupertino as well as accommodate a new major technology company or future expansion of an existing firm.

Table 34: Projected Office Demand, Cupertino, 2013-2035

	2020	2035
Minimum Demand Estimate		
Gross Demand (sq. ft.) (a)	303,061	952,477
Less: Entitled Office Development (sq. ft.)	147,050	147,050
Net New Office Demand ABAG Projections (sq. ft.)	156,011	805,428
Sq. Ft. Required for New Corporate Campus (sf. ft.) (b)	2,000,000	2,000,000
Net New Square Footage of Apple Campus 2 (c)	750,000	750,000
Total New Demand for Office Space	2,906,011	3,555,428
Assumptions		
Projected Average Annual Demand for Office Space, West Valley (sq. ft.)		404,766
Cupertino Share of West Valley Office Employment (e)		10.7%
Projected Average Annual Demand for Office Space, Cupertino (sq. ft.)		43,294

Note:

(a) Minimum gross demand is estimated based on annual average demand for office space in Cupertino

(b) Sq. ft. requirement estimated for a new corporate campus is based on corporate campuses recently proposed or approved by high-tech companies in Silicon Valley.

(c) Apple Campus 2 net new sq. ft. are treated as new demand since outside scope of ABAG projections.

(d) Recommended net new allocations assume that the Apple Inc. retains all of the space that it currently occupies after Apple Campus 2 is built and that the City should have enough office square footage Inc. or another large company in the allocations balance to accommodate a new corporate campus for Apple

(e) Cupertino share of West Valley office employment is based on Cupertino's share of West Valley office absorption between 2003 and 2012.

Source: BAE, 2013.

Retail Demand

Building on the leakage analysis for Cupertino, the following provides an estimate of sales that could be recaptured in the City if additional stores, matching demand by store type, were developed. Due to the balanced overall Regional Trade Area, some of the new sales needed to support new retail development would need to be retained locally, instead of occurring elsewhere in the Trade Area. Since this process depends on shifting spending patterns and providing store types targeted to local demographics, the estimate here is provided in a range of “low” and “high.” The “low” estimate assumes modest additional recapture of leaking sales, while the “high” assumes a shift in spending patterns with well-located and well-merchandised new store types.

Capture from Existing Residents and Workers

As shown Table 35, the range of supportable square footage of new retail space resulting from capture of current sales leakages of existing resident and worker expenditures is estimated at approximately 157,000 to 316,000 square feet.²¹

Table 35: Support from Existing Residents and Workers for Additional Retail Space

Low Estimate									
	A	x	B	=	C	÷	D	=	E
<u>Major Retail Category</u>	Annual Leakage of Expenditures (a)		% Additional Capture in Cupertino (b)		Potential Sales Capture in Cupertino		Sales per Square Foot (c)		Supportable New Sq. Ft. Cupertino (d)
Motor Vehicle and Parts Dealers	\$130,400,000		0%		\$0		\$0		-
Furniture and Home Furnishings Stores	\$6,800,000		10%		\$680,000		\$350		2,000
Electronics and Appliance Stores	\$39,100,000		20%		\$7,820,000		\$350		22,000
Bldg. Matrl. and Garden Equip. and Supplies	\$50,400,000		30%		\$15,120,000		\$250		60,000
Food and Beverage Stores	\$0		0%		\$0		\$0		0
Health and Personal Care Stores	\$10,400,000		20%		\$2,080,000		\$500		4,000
Gasoline Stations	\$1,900,000		0%		\$0		\$500		-
Clothing and Clothing Accessories Stores	\$47,100,000		30%		\$14,130,000		\$350		40,000
Sporting Goods, Hobby, Book, & Music Stor	\$9,000,000		20%		\$1,800,000		\$350		5,000
General Merchandise Stores	\$0		0%		\$0		\$0		0
Miscellaneous Store Retailers	\$24,400,000		25%		\$6,100,000		\$350		17,000
Food Services and Drinking Places	\$23,600,000		10%		\$2,360,000		\$350		7,000
Total Retail	\$343,100,000				\$50,090,000				157,000

²¹ Zero capture is assumed in the motor vehicle sector, since it is unlikely that Cupertino will have sites available to create the critical mass necessary to support automotive retail that could compete with the nearby auto row on Stevens Creek and other regional auto dealers. No capture rate is assumed for sectors where there is currently no estimated leakage of retail sales.

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High Estimate									
	A	x	B	=	C	÷	D	=	E
	Annual Leakage of Expenditures (a)		% Additional Capture in Cupertino (b)		Potential Sales Capture in Cupertino		Sales per Square Foot (c)		Supportable New Sq. Ft. Cupertino (d)
Potential New Store Types									
Motor Vehicle and Parts Dealers	\$130,400,000		0%		\$0		\$0		-
Furniture and Home Furnishings Stores	\$6,800,000		20%		\$1,360,000		\$350		4,000
Electronics and Appliance Stores	\$39,100,000		50%		\$19,550,000		\$350		56,000
Bldg. Matrl. and Garden Equip. and Supplies	\$50,400,000		50%		\$25,200,000		\$250		101,000
Food and Beverage Stores	\$0		0%		\$0		\$0		0
Health and Personal Care Stores	\$10,400,000		50%		\$5,200,000		\$500		10,000
Gasoline Stations	\$1,900,000		0%		\$0		\$500		-
Clothing and Clothing Accessories Stores	\$47,100,000		60%		\$28,260,000		\$350		81,000
Sporting Goods, Hobby, Book, & Music Stor	\$9,000,000		60%		\$5,400,000		\$350		15,000
General Merchandise Stores	\$0		0%		\$0		\$0		0
Miscellaneous Store Retailers	\$24,400,000		60%		\$14,640,000		\$350		42,000
Food Services and Drinking Places	\$23,600,000		10%		\$2,360,000		\$350		7,000
Total Retail	\$343,100,000				\$101,970,000				316,000

(a) From Table 14.

(b) Capture of resident potential expenditures assumes appropriate sites for each retail type will be made available in Cupertino. Rounded to nearest hundred thousand.

(c) Sales per square foot based on consultant experience derived from a variety of sources, including corporate 10-K reports.

(d) Rounded to nearest thousand.

Sources: BAE 2013, based on data from corporate SEC filings, Urban Land Institute/International Council of Shopping Centers, Hinterliter de Lamas, and other sources as noted in supporting tables and appendices.

Capture from New Residents and Workers

In addition to the potential to recapture of current resident expenditures at retail outlets in the city, population and employment growth in Cupertino should also support additional retail development. The supportable square footage of new retail space resulting from capture of expenditures from new residents and workers through 2035 is estimated at approximately 177,000 to 205,000 square feet (see Table 36). This estimate uses the same capture rates as for existing residents and workers as shown above in Table 35, and assuming a constant rate of growth in population and employment, is equivalent to slightly more than 8,000 square feet per year from 2014 through 2035.

Capture from Outside City of Cupertino

While retail expenditures from City residents are greater than actual expenditures within the city, this is “net” leakage (in most major retail categories); in reality, Cupertino is capturing sales from non-residents at the same time Cupertino residents are shopping elsewhere. For instance, the residential neighborhoods closest to Cupertino Village and its Ranch 99 market are in Sunnyvale. As indicated by Cupertino’s injections of sales for general merchandise stores, Vallco’s anchor stores attract customers from outside Cupertino (and Cupertino residents undoubtedly frequent Valley Fair and Santana Row).

Cupertino’s ability to increase retail attraction to non-residents will depend largely on the future development of new region-serving retail as well as upgrades to Vallco and its environs, constrained by the continued competitiveness of other region serving centers in the Retail Trade Area and beyond. Currently, Valley Fair, Santana Row, the cluster of retail around the Westgate Shopping Center, and other centers provide a strong attraction to residents of

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Cupertino and surrounding communities. For the purposes of the analysis here, no additional net capture of non-resident retail expenditures is assumed.

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Table 36: Additional Retail Support from Population and Employment Growth, 2014-2035

Low Estimate													
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	
	Baseline Per Capita Annual Expenditures		Total Additional Annual Retail Potential Sales in \$000			2013 Capture Rate	Additional Sales Capture in \$000	Additional New Capture of Leakage	Additional Sales in \$000 from New Capture	Total Potential New Sales Capture	Sales per Square Foot	Supportable Retail Square Feet in Cupertino	
Store Category	Estimated Resident Expenditures	Estimated Worker Expenditures	Residents	Workers	Total Potential Expenditures								
Motor Vehicle and Parts Dealers	\$2,324	\$0	\$24,150	\$0	\$24,150	na	\$0	0%	\$0	\$0	\$0	na	
Furniture and Home Furnishings Stores	\$353	\$0	\$3,666	\$0	\$3,666	68%	\$2,480	10%	\$119	\$2,599	\$350	7,000	
Electronics and Appliance Stores	\$816	\$446	\$8,482	\$802	\$9,284	27%	\$2,475	20%	\$1,362	\$3,837	\$350	11,000	
Bldg. Matrl. and Garden Equip. and Supplies	\$1,068	\$0	\$11,095	\$0	\$11,095	21%	\$2,303	30%	\$2,638	\$4,941	\$250	20,000	
Food and Beverage Stores	\$2,480	\$1,079	\$25,775	\$1,937	\$27,712	104%	\$27,712	0%	\$0	\$27,712	\$0	na	
Health and Personal Care Stores	\$687	\$380	\$7,137	\$682	\$7,819	77%	\$6,012	20%	\$361	\$6,373	\$500	13,000	
Gasoline Stations	\$918	\$0	\$9,545	\$0	\$9,545	97%	\$9,212	0%	\$0	\$9,212	\$500	18,000	
Clothing and Clothing Accessories Stores	\$1,372	\$579	\$14,255	\$1,039	\$15,294	46%	\$7,083	30%	\$2,463	\$9,547	\$350	27,000	
Sporting Goods, Hobby, Book, & Music Stores	\$393	\$174	\$4,086	\$313	\$4,399	64%	\$2,834	20%	\$313	\$3,147	\$350	9,000	
General Merchandise Stores	\$1,772	\$1,633	\$18,419	\$2,934	\$21,352	104%	\$21,352	0%	\$0	\$21,352	\$0	na	
Miscellaneous Store Retailers	\$347	\$558	\$3,604	\$1,002	\$4,605	8%	\$354	25%	\$1,063	\$1,417	\$350	4,000	
Food Services and Drinking Places	\$2,410	\$1,442	\$25,048	\$2,591	\$27,639	85%	\$23,527	10%	\$411	\$23,938	\$350	68,000	
Total	\$14,939	\$6,292	\$155,261	\$11,300	\$166,560		\$105,345		\$8,730	\$114,075		177,000	

High Estimate													
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	
	Baseline Per Capita Annual Expenditures		Total Additional Annual Retail Potential Sales in \$000			2013 Capture Rate	Additional Sales Capture in \$000	Additional New Capture of Leakage	Additional Sales in \$000 from New Capture	Total Potential New Sales Capture	Sales per Square Foot	Supportable Retail Square Feet in Cupertino	
Store Category	Estimated Resident Expenditures	Estimated Worker Expenditures	Residents	Workers	Total Potential Expenditures								
Motor Vehicle and Parts Dealers	\$2,324	\$0	\$24,150	\$0	\$24,150	na	\$0	0%	\$0	\$0	\$0	na	
Furniture and Home Furnishings Stores	\$353	\$0	\$3,666	\$0	\$3,666	68%	\$2,480	20%	\$237	\$2,717	\$350	8,000	
Electronics and Appliance Stores	\$816	\$446	\$8,482	\$802	\$9,284	27%	\$2,475	50%	\$3,404	\$5,880	\$350	17,000	
Bldg. Matrl. and Garden Equip. and Supplies	\$1,068	\$0	\$11,095	\$0	\$11,095	21%	\$2,303	50%	\$4,396	\$6,699	\$250	27,000	
Food and Beverage Stores	\$2,480	\$1,079	\$25,775	\$1,937	\$27,712	104%	\$27,712	0%	\$0	\$27,712	\$0	na	
Health and Personal Care Stores	\$687	\$380	\$7,137	\$682	\$7,819	77%	\$6,012	50%	\$904	\$6,915	\$500	14,000	
Gasoline Stations	\$918	\$0	\$9,545	\$0	\$9,545	97%	\$9,212	0%	\$0	\$9,212	\$500	18,000	
Clothing and Clothing Accessories Stores	\$1,372	\$579	\$14,255	\$1,039	\$15,294	46%	\$7,083	60%	\$4,926	\$12,010	\$350	34,000	
Sporting Goods, Hobby, Book, & Music Stores	\$393	\$174	\$4,086	\$313	\$4,399	64%	\$2,834	60%	\$939	\$3,773	\$350	11,000	
General Merchandise Stores	\$1,772	\$1,633	\$18,419	\$2,934	\$21,352	104%	\$21,352	0%	\$0	\$21,352	\$0	na	
Miscellaneous Store Retailers	\$347	\$558	\$3,604	\$1,002	\$4,605	8%	\$354	60%	\$2,551	\$2,905	\$350	8,000	
Food Services and Drinking Places	\$2,410	\$1,442	\$25,048	\$2,591	\$27,639	85%	\$23,527	10%	\$411	\$23,938	\$350	68,000	
Total	\$14,939	\$6,292	\$155,261	\$11,300	\$166,560		\$105,345		\$17,769	\$123,114		205,000	

All sales, expenditures, and leakages are expressed in 2013 dollar equivalents. Total additional potential sales are in \$000.

(a) From Appendix C.

(b) From Appendix E.

(c) Column A times estimated population increase in Cupertino, 2013-2040. Population increased derived from using an average annual compound rate to trend out population over the time period. Population in 2010 and 2040 derived from household estimates per times DOF estimate of average household size in 2013.

Increase in Resident Population, 2013-2040 12,993

(d) Column B times estimated increase in net worker inflows in Cupertino 2013-2040. Net worker inflow derived using an average annual compound rate to trend out worker growth over the time period. Number of workers in 2010 and 2040 derived from worker estimates per times the 2011 percent inflow of workers per LEHD as noted in Appendix F.

Increase in Net Worker Inflows, 2013-2040 2,252

(e) E = C + D

(f) F = (100%-leakage), where "leakage" is the leakage/injection percentage column from Table 14. Since leakage is a negative number while injection is positive, this is representative of the total capture of potential sales, and thus also of categories that show captures greater than 100%.

(g) G = minimum of (E x F) or E. This caps the capture at 100% for sectors with no leakage of sales. Consistent with the lack of suitable sites for motor vehicle retail in Cupertino, no capture is assumed for the motor vehicle sector.

(h) Assumes same additional capture of leakage as for existing residents and workers.

(i) I = H x (E - G)

(j) J = G + I

(k) From Table 35.

(l) L = J x K

Sources: BAE 2013, based on data from CA Department of Industrial Relations; U.S. Bureau of Labor Statistics; U.S. Census of Retail Trade, 2007; 2010 Zip Code and County Business Patterns; CA Dept. of Finance; Nielsen SiteReports; U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD); Corporate SEC filings, Urban Land Institute/International Council of Shopping Centers (ULI/ICSC); Hinterliter de Lamas; and other sources as noted in supporting tables and appendices.

Demand for Additional Retail

The retail analysis indicates that demand for retail from existing and new residents and workers in Cupertino will total approximately 227,800 to 398,000 square feet by 2020 and 334,000 to 521,000 square feet by 2035. Projects that are entitled or currently under construction in Cupertino include approximately 353,000 square feet of retail space. Assuming that fifty percent of these projects are built, the potential remaining demand through 2020 would be 51,800 to 222,000 square feet and by 2035 would be approximately 158,000 square feet under the low scenario and 345,000 square feet under the high scenario, depending on the quality of new and redeveloped stores and their ability to recapture sales currently leaking to stores elsewhere in the Regional Trade Area. While a portion of this new demand can be met with new retail facilities in all four corridors, the primary opportunity for capturing existing and new retail demand would be in the Vallco Shopping district. However, the Vallco shopping center will need to be reformulated or redeveloped in order to be attractive to both retailers and shoppers (see detailed discussion of these issues in the Retail Strategy).

Table 37: Projected Retail Demand and Allocation Balances, Cupertino, 2020 & 2035

	2020 Estimate		2035 Estimate	
	Low Sq. Ft.	High Sq. Ft.	Low Sq. Ft.	High Sq. Ft.
Demand from Existing Residents and Workers	157,000	316,000	157,000	316,000
Demand from Residential and Employment Growth	<u>70,800</u>	<u>82,000</u>	<u>177,000</u>	<u>205,000</u>
Total Gross Retail Demand	227,800	398,000	334,000	521,000
Less: Entitled Retail Projects	176,000	176,000	176,000	176,000
Net New Retail Demand	51,800	222,000	158,000	345,000

Note: 2035 estimate is cumulative and includes estimates for 2020.

Source: BAE, 2013.

Hotel Demand

As discussed above, the hotel market in Cupertino is relatively robust, as indicated by strong occupancy rates at the city's five existing hotels. Demand for hotel rooms is particularly strong during the week due to high levels of business travel to Cupertino. There has been recent interest in additional hotel development in Cupertino with the opening of the Aloft hotel in early 2013, and approximately 300 new hotel rooms in the city's development pipeline. Furthermore, some property owners have expressed interest in developing additional hotel rooms that are not yet in the project pipeline.

The potential range of future hotel room demand in Cupertino was estimated based on the city's current share of hotel rooms in Santa Clara County and projected employment and household growth. Table 38 shows the range of projected demand for hotel rooms in Santa Clara County and Cupertino in 2020 and 2035. As shown, business travel is estimated to account for 75 percent of hotel room demand in Santa Clara County, and leisure travel is estimated to account for 25 percent of hotel room demand. Using this breakdown, the number of existing hotel rooms in Santa Clara County, and current employment and household estimates for the county, the table shows that current demand allows for 0.021 hotel rooms per employee and 0.011 hotel rooms per household.

The One Bay Area Plan anticipates an annual average growth rate of 7,140 households and 10,108 jobs in Santa Clara County between 2010 and 2040. Based on this future growth, lodging demand in the county could support an approximately 2,000 new hotel rooms by 2020 and over 6,000 new hotel rooms by 2035. Again, note that these are cumulative estimates (e.g., the estimated for 2020 is contained in the total for 2035).

As shown in Table 38, hotel rooms in Cupertino currently account for approximately three percent of hotel rooms in Santa Clara County. The low end of the demand estimate assumes that the City continues to capture a similar share of hotel room demand through 2035. A high estimate is also presented that takes into consideration the catalyst effect of the Apple Campus 2 and new professional football stadium in Santa Clara on Cupertino's lodging market, while the high end of the demand estimate assumes that the City will capture ten percent of new hotel room demand through 2035.

Using the low capture rate, estimated net hotel room demand in Cupertino is negative through 2020 after subtracting fifty percent of the 302 hotel rooms currently in the city's development pipeline (e.g., 151 rooms), which means that the number of hotel rooms in the project pipeline exceed the market demand for new lodging. By 2035, there is demand for 40 additional rooms.

The high demand estimate uses the higher capture rate. Under the high demand scenario, there is positive demand by 2020 for up to 51 rooms and by 2035 demand for 485 additional hotel rooms. This high demand estimate would suggest demand for three to four additional standard hotel properties (e.g., 125 to 150 rooms) over the long term. However, the hotel

demand estimate needs an adjustment when applied to setting new allocations. Multiple hotel sites need to be planned for to give the City flexibility in locating new hotel facilities and to account for the riskiness of new hotel development (designated sites often remain undeveloped for extended periods of time due to credit market and site ownership characteristics). Allocating 1,000 hotel rooms under a high demand scenario would permit such flexibility since even if half the rooms ultimately were not built, long term demand shown in Table 38 would be likely met.

Table 38: Projected Lodging Demand, Cupertino

Projected Growth, Santa Clara County	2020	2035
Employment Growth, Santa Clara County (2013 Base Yr)	70,758	222,383
Household Growth, Santa Clara County (2013 Base Yr)	49,978	157,073
Growth in Hotel Room Demand from Business Travel	1,486	4,671
Growth in Hotel Room Demand from Leisure Travel	539	1,693
Total Growth in Hotel Room Demand	2,025	6,364
Projected Hotel Room Demand, Cupertino	2020	2035
Low Estimate (a)		
Gross New Hotel Room Demand	61	191
Less: Planned and Proposed Hotel Rooms	(151)	(151)
Net New Hotel Room Demand - Low	(90)	40
High Estimate (b)		
Gross New Hotel Room Demand	202	636
Less: Planned and Proposed Hotel Rooms	(151)	(151)
Net New Hotel Room Demand - High	51	485
Assumptions		
Total Hotel Rooms - Cupertino	785	
Total Hotel Rooms - Santa Clara County	26,044	
Cupertino Share of Santa Clara County Hotel Rooms	3.0%	
Cupertino Potential Share of Santa Clara County Hotel Rooms (c)	10.0%	
Total Employees in Santa Clara County	929,952	
Percent of Hotel Stays from Business Travel	75%	
Hotel Rooms per Employee	0.021	
Projected Annual Average Employment Growth, 2010-2040	10,108	
Total Households in Santa Clara County	604,204	
Percent of Hotel Stays from Leisure Travel	25%	
Hotel Rooms per Household	0.011	
Projected Annual Average Household Growth, 2010-2040	7,140	

Notes:

- (a) The low estimate of projected hotel room demand assumes that Cupertino continues to capture the same portion of the County's hotel room demand, or approximately three percent of countywide demand, and that all of the hotel rooms that are currently entitled are built.
- (b) The high estimate of projected hotel room demand assumes that, over the medium to long term, Cupertino captures a slightly higher portion of countywide hotel room demand than the City currently captures, and that half of the hotel rooms that are currently entitled are built.
- (c) Cupertino's potential share of Santa Clara County hotel rooms assumes that the City will capture a slightly higher proportion of countywide hotel room demand than the City currently captures.

Sources: US Census, 2010; ACS, 2007-2011; STR, 2013; BAE, 2013.

Summary of Demand Estimates

Based on the above analysis, the following table summarizes the market demand findings of this report. These findings will be considered during the planning process and inform the setting of new allocations for the indicated uses.

Table 40: Summary of Demand Estimates

	Residential		Office	Retail		Hotel	
	Low	High		Low	High	Low	High
Through 2020							
Demand Through 2020 (Units/Sq.Ft.)	877	1,535	303,061	227,800	398,000	61	202
Demand Adjustments (a)	-	-	2,750,000	-	-	-	-
Less: Entitled Projects	(404)	(404)	147,050	176,000	176,000	(151)	(151)
Net Demand	473	1,939	2,906,011	51,800	222,000	(90)	51
Through 2035							
Demand Through 2035 (Units/Sq.Ft.)	2,757	4,824	952,477	334,000	521,000	191	636
Demand Adjustments	-	-	2,750,000 (a)	-	-	-	500 (b)
Less: Entitled Projects	404	404	147,050	176,000	176,000	(151)	(151)
Net Demand	2,353	4,420	3,555,428	158,000	345,000	40	985

Notes:

(a) For Office Apple Campus 2 and 1.5 million sq.ft. added; see text for description.

(b) Adjustment for flexibility in meeting long-term demand under high scenario; see text for description.

Sources: City of Cupertino; BAE 2013.

APPENDIX A: ZIP CODES IN THE RETAIL TRADE AREA

Table A-1: Zip Codes in the Retail Trade Area

Zip Code	City
94022	Los Altos
94023	Los Altos
94024	Los Altos
94035	Mountain View
94039	Mountain View
94040	Mountain View
94041	Mountain View
94043	Mountain View
94085	Sunnyvale
94086	Sunnyvale
94087	Sunnyvale
94088	Sunnyvale
94089	Sunnyvale
95008	Campbell
95009	Campbell
95014	Cupertino
95015	Cupertino
95050	Santa Clara
95051	Santa Clara
95052	Santa Clara
95053	Santa Clara
95055	Santa Clara
95070	Saratoga
95071	Saratoga
95117	San Jose
95129	San Jose
95130	San Jose

Note: Some Zip Codes represent single-organization sites or Post Office Boxes, but have establishments listed in Zip Code Business Patterns.

APPENDIX B: RETAIL SALES TRENDS

Table B-1a: Cupertino Taxable Retail Sales Trends, 2000-2008

Sales in 2013 \$000 (a) (b) (c)	2000	2001	2002	2003	2004	2005	2006	2007	2008
Motor Vehicles and Parts	\$60,717	\$57,350	#	#	\$22,511	\$3,514	\$3,802	\$3,556	\$3,465
Home Furnishings and Appliances	\$49,438	\$32,832	\$27,222	\$22,658	\$16,519	\$17,442	\$11,144	\$11,088	\$10,585
Building Materials	\$9,274	\$7,044	\$6,274	\$4,976	#	#	#	#	#
Food Stores	\$34,192	\$32,395	\$32,228	\$30,557	\$30,541	\$31,663	\$30,535	\$33,260	\$33,665
Service Stations	\$63,094	\$57,076	\$48,896	\$54,484	\$61,374	\$69,318	\$68,140	\$72,901	\$73,927
Apparel Stores	\$44,398	\$36,221	\$31,915	\$28,454	\$25,632	\$24,568	\$21,729	\$20,749	\$17,420
General Merchandise Stores	\$260,955	\$240,646	\$210,990	\$190,202	\$190,310	\$181,464	\$170,886	\$171,612	\$154,470
Eating and Drinking Places	\$128,607	\$122,228	\$108,304	\$105,811	\$104,556	\$118,441	\$125,187	\$127,570	\$120,904
Other Retail Stores	\$168,389	\$161,629	\$151,795	\$118,982	\$83,421	\$79,502	\$83,870	\$297,066	\$231,698
Retail Stores Total	\$819,065	\$747,420	\$617,626	\$556,125	\$534,864	\$525,911	\$515,294	\$737,802	\$646,134

Sales per Capita in 2013 \$ (d)	2000	2001	2002	2003	2004	2005	2006	2007	2008
Motor Vehicles and Parts	\$1,200	\$1,126	#	#	\$424	\$66	\$70	\$64	\$62
Home Furnishings and Appliances	\$977	\$645	\$523	\$434	\$311	\$325	\$205	\$199	\$188
Building Materials	\$183	\$138	\$120	\$95	#	#	#	#	#
Food Stores	\$676	\$636	\$619	\$585	\$575	\$590	\$562	\$598	\$598
Service Stations	\$1,247	\$1,120	\$939	\$1,044	\$1,156	\$1,292	\$1,254	\$1,311	\$1,313
Apparel Stores	\$877	\$711	\$613	\$545	\$483	\$458	\$400	\$373	\$309
General Merchandise Stores	\$5,157	\$4,724	\$4,051	\$3,644	\$3,585	\$3,383	\$3,145	\$3,086	\$2,744
Eating and Drinking Places	\$2,542	\$2,399	\$2,080	\$2,027	\$1,970	\$2,208	\$2,304	\$2,294	\$2,148
Other Retail Stores	\$3,328	\$3,173	\$2,915	\$2,279	\$1,571	\$1,482	\$1,543	\$5,342	\$4,116
Retail Stores Total	\$16,186	\$14,672	\$11,859	\$10,654	\$10,075	\$9,806	\$9,483	\$13,267	\$11,477

Population	50,602	50,941	52,080	52,197	53,087	53,632	54,338	55,611	56,297
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(a) Retail sales have been adjusted to 2013 dollars based on the Bay Area Consumer Price Index, U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. 2009-2011 data presented in a separate table due to major change in categorization scheme, such that data are not fully comparable with earlier years.

(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.

(c) A "#" sign indicates data unavailability for the category due to SBOE confidentiality rules that suppress data when there are four or fewer outlets or sales in a category dominated by one store. Suppressed sales have been combined with Other Retail Stores.

(d) Per capita sales calculated based on sales divided by population. 2000 and 2010 population from U.S. Census; estimates for other years from CA State Dept. of Finance.

Sources: 2000 & 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2013.

Table B-1b: Cupertino Taxable Retail Sales Trends, 2009-2012

Sales in 2013 \$000 (a) (b) (c)	2009	2010	2011	2012 (f)
Motor Vehicle and Parts Dealers	\$3,299	\$2,985	\$2,991	\$3,834
Home Furnishings and Appliance Stores (e)	#	#	\$193,390	#
Bldg. Matrl. and Garden Equip. & Supplies (e)	\$15,418	\$16,655	\$13,767	\$20,782
Food and Beverage Stores	\$34,349	\$35,471	\$34,857	\$38,216
Gasoline Stations	\$55,752	\$65,839	\$78,357	\$81,228
Clothing & Clothing Accessories Stores	\$30,817	\$33,043	\$35,471	\$41,398
General Merchandise Stores	\$129,796	\$118,334	\$117,685	\$108,853
Food Services and Drinking Places	\$112,777	\$121,313	\$131,396	\$134,909
Other Retail Group	\$231,359	\$266,935	\$104,948	\$322,875
Retail Stores Total	\$613,566	\$660,575	\$712,863	\$752,097

Sales per Capita in 2013 \$ (d)	2009	2010	2011	2012 (f)
Motor Vehicle and Parts Dealers	\$58	\$51	\$51	\$65
Home Furnishings and Appliance Stores (e)	#	#	\$3,297	#
Bldg. Matrl. and Garden Equip. & Supplies (e)	\$269	\$286	\$235	\$353
Food and Beverage Stores	\$600	\$608	\$594	\$648
Gasoline Stations	\$973	\$1,129	\$1,336	\$1,378
Clothing & Clothing Accessories Stores	\$538	\$567	\$605	\$702
General Merchandise Stores	\$2,266	\$2,030	\$2,006	\$1,847
Food Services and Drinking Places	\$1,969	\$2,081	\$2,240	\$2,289
Other Retail Group	\$4,038	\$4,578	\$1,789	\$5,479
Retail Stores Total	\$10,710	\$11,330	\$12,151	\$12,762

Population	57,289	58,302	58,665	58,931
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(a) Retail sales have been adjusted to 2013 dollars based on the Bay Area Consumer Price Index, U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. 2009-2011 data presented in a separate table due to major change in categorization scheme, such that data are not fully comparable with earlier years.

(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.

(c) A "#" sign indicates data unavailability for the category due to SBOE confidentiality rules that suppress data when there are four or fewer outlets or sales in a category dominated by one store. Suppressed sales have been combined with Other Retail Group.

(d) Per capita sales calculated based on sales divided by population. 2000 and 2010 population from U.S. Census; estimates for other years from CA State Dept. of Finance.

(e) For 2011, data in this category suppressed for 1 of the 4 quarters, so some sales for that period are under Other Retail Group.

(f) 2012 data obtained from City Finance Department based on MuniServices report on sales tax collection.

Sources: 2000 & 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; City of Cupertino; BAE, 2013.

Table B-2a: Santa Clara County Taxable Retail Sales Trends, 2000-2008

Sales in 2013 \$000 (a) (b) (c)	2000	2001	2002	2003	2004	2005	2006	2007	2008
Motor Vehicles and Parts	\$5,361,000	\$4,602,694	\$4,070,332	\$3,927,900	\$4,054,741	\$4,095,982	\$4,028,204	\$3,939,910	\$2,985,684
Home Furnishings and Appliances	\$1,603,920	\$1,251,353	\$1,082,825	\$998,037	\$1,025,327	\$1,029,973	\$1,032,297	\$1,023,742	\$1,177,249
Building Materials	\$1,934,570	\$1,778,088	\$1,690,506	\$1,706,925	\$1,971,397	\$1,996,061	\$2,029,088	\$1,797,027	\$1,494,540
Food Stores	\$1,148,429	\$1,112,604	\$1,060,398	\$1,024,639	\$1,011,926	\$1,005,574	\$996,384	\$1,011,447	\$957,000
Service Stations	\$1,969,147	\$1,793,454	\$1,576,317	\$1,766,068	\$2,039,728	\$2,309,162	\$2,464,736	\$2,636,147	\$2,783,121
Apparel Stores	\$1,193,743	\$1,141,743	\$1,121,524	\$1,161,568	\$1,297,573	\$1,415,544	\$1,483,188	\$1,515,510	\$1,567,457
General Merchandise Stores	\$3,888,711	\$3,515,907	\$3,267,709	\$3,235,802	\$3,356,033	\$3,438,609	\$3,495,443	\$3,535,910	\$3,246,292
Eating and Drinking Places	\$3,122,162	\$2,893,824	\$2,717,450	\$2,673,455	\$2,818,792	\$2,954,932	\$3,104,061	\$3,196,220	\$3,169,578
Other Retail Stores	\$6,710,122	\$5,092,537	\$4,300,609	\$4,144,034	\$4,306,334	\$4,643,102	\$4,877,626	\$4,962,280	\$3,897,674
Retail Stores Total	\$26,931,805	\$23,182,204	\$20,887,669	\$20,638,428	\$21,881,851	\$22,888,941	\$23,511,027	\$23,618,193	\$21,278,596

Sales per Capita in 2013 \$ (d)	2000	2001	2002	2003	2004	2005	2006	2007	2008
Motor Vehicles and Parts	\$3,186	\$2,723	\$2,404	\$2,319	\$2,391	\$2,412	\$2,360	\$2,284	\$1,708
Home Furnishings and Appliances	\$953	\$740	\$640	\$589	\$605	\$606	\$605	\$593	\$674
Building Materials	\$1,150	\$1,052	\$998	\$1,008	\$1,163	\$1,175	\$1,189	\$1,042	\$855
Food Stores	\$683	\$658	\$626	\$605	\$597	\$592	\$584	\$586	\$548
Service Stations	\$1,170	\$1,061	\$931	\$1,043	\$1,203	\$1,360	\$1,444	\$1,528	\$1,592
Apparel Stores	\$709	\$675	\$662	\$686	\$765	\$834	\$869	\$879	\$897
General Merchandise Stores	\$2,311	\$2,080	\$1,930	\$1,910	\$1,979	\$2,025	\$2,048	\$2,050	\$1,857
Eating and Drinking Places	\$1,856	\$1,712	\$1,605	\$1,578	\$1,662	\$1,740	\$1,819	\$1,853	\$1,813
Other Retail Stores	\$3,988	\$3,013	\$2,540	\$2,447	\$2,540	\$2,734	\$2,858	\$2,877	\$2,230
Retail Stores Total	\$16,006	\$13,714	\$12,336	\$12,185	\$12,905	\$13,478	\$13,776	\$13,691	\$12,174

Population	1,682,585	1,690,366	1,693,230	1,693,752	1,695,602	1,698,234	1,706,676	1,725,066	1,747,912
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(a) Retail sales have been adjusted to 2013 dollars based on the Bay Area Consumer Price Index, U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. 2009-2011 data presented in a separate table due to major change in categorization scheme, such that data are not fully comparable with earlier years.

(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.

(c) A "#" sign indicates data unavailability for the category due to SBOE confidentiality rules that suppress data when there are four or fewer outlets or sales in a category dominated by one store. Suppressed sales have been combined with Other Retail Stores.

(d) Per capita sales calculated based on sales divided by population. 2000 and 2010 population from U.S. Census; estimates for other years from CA State Dept. of Finance.

Sources: 2000 & 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2013.

Table B-2b: Santa Clara County Taxable Retail Sales Trends, 2009-2011

Sales in 2013 \$000 (a) (b) (c)	2009	2010	2011
Motor Vehicle and Parts Dealers	\$2,498,193	\$2,738,492	\$3,044,304
Home Furnishings and Appliance Stores	\$1,775,053	\$1,974,368	\$2,085,383
Bldg. Matrl. and Garden Equip. & Supplies	\$1,274,192	\$1,344,350	\$1,384,921
Food and Beverage Stores	\$1,066,514	\$1,062,609	\$1,075,576
Gasoline Stations	\$1,968,953	\$2,271,005	\$2,691,596
Clothing & Clothing Accessories Stores	\$1,848,693	\$1,968,702	\$2,100,372
General Merchandise Stores	\$2,485,210	\$2,555,918	\$2,574,390
Food Services and Drinking Places	\$2,958,790	\$3,073,834	\$3,257,214
Other Retail Group	\$2,045,995	\$2,104,261	\$2,208,032
Retail Stores Total	\$17,921,593	\$19,093,540	\$20,421,789

Sales per Capita in 2013 \$ (d)	2009	2010	2011
Motor Vehicle and Parts Dealers	\$1,414	\$1,537	\$1,697
Home Furnishings and Appliance Stores	\$1,004	\$1,108	\$1,162
Bldg. Matrl. and Garden Equip. & Supplies	\$721	\$755	\$772
Food and Beverage Stores	\$604	\$596	\$599
Gasoline Stations	\$1,114	\$1,275	\$1,500
Clothing & Clothing Accessories Stores	\$1,046	\$1,105	\$1,171
General Merchandise Stores	\$1,406	\$1,435	\$1,435
Food Services and Drinking Places	\$1,674	\$1,725	\$1,815
Other Retail Group	\$1,158	\$1,181	\$1,231
Retail Stores Total	\$10,141	\$10,717	\$11,381

Population	1,767,204	1,781,642	1,794,337
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(a) Retail sales have been adjusted to 2013 dollars based on the Bay Area Consumer Price Index, U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. 2009-2011 data presented in a separate table due to major change in categorization scheme, such that data are not fully comparable with earlier years.

(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.

(c) A "#" sign indicates data unavailability for the category due to SBOE confidentiality rules that suppress data when there are four or fewer outlets or sales in a category dominated by one store. Suppressed sales have been combined with Other Retail Group.

(d) Per capita sales calculated based on sales divided by population. 2000 and 2010 population from U.S. Census; estimates for other years from CA State Dept. of Finance.

Sources: 2000 & 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2013.

Table B-3a: California Taxable Retail Sales Trends, 2000-2008

Sales in 2013 \$000 (a) (b) (c)	2000	2001	2002	2003	2004	2005	2006	2007	2008
Motor Vehicles and Parts	\$78,713,070	\$81,127,253	\$83,178,085	\$85,415,443	\$87,843,693	\$88,112,429	\$82,470,539	78,957,544	58,843,346
Home Furnishings and Appliances	\$18,860,861	\$17,796,589	\$18,224,415	\$19,240,749	\$20,363,459	\$20,817,015	\$20,029,704	18,652,696	18,556,189
Building Materials	\$34,418,661	\$35,322,064	\$36,589,166	\$39,099,731	\$46,088,633	\$47,476,311	\$45,871,990	36,429,273	28,749,433
Food Stores	\$25,495,432	\$25,126,856	\$24,699,371	\$24,722,966	\$24,609,128	\$25,294,103	\$25,192,529	25,056,098	23,200,980
Service Stations	\$34,979,116	\$32,870,983	\$31,185,814	\$35,304,731	\$40,663,533	\$46,170,228	\$50,213,792	52,524,900	56,119,209
Apparel Stores	\$17,826,397	\$17,871,700	\$18,284,253	\$19,336,917	\$21,048,379	\$22,401,359	\$22,848,017	23,265,476	23,865,351
General Merchandise Stores	\$63,590,625	\$62,993,406	\$63,192,954	\$64,394,968	\$66,953,503	\$67,983,160	\$68,286,696	66,817,592	60,877,395
Eating and Drinking Places	\$49,204,995	\$49,188,519	\$49,629,434	\$51,017,950	\$53,715,991	\$55,563,483	\$56,723,536	57,626,950	56,158,216
Other Retail Stores	\$75,232,196	\$70,093,472	\$68,107,757	\$69,380,164	\$73,372,406	\$76,083,386	\$76,656,767	72,409,528	59,140,436
Retail Stores Total	\$398,321,353	\$392,390,842	\$393,091,249	\$407,913,619	\$434,658,725	\$449,901,474	\$448,293,570	\$431,740,056	\$385,510,556

Sales per Capita in 2013 \$ (d)	2000	2001	2002	2003	2004	2005	2006	2007	2008
Motor Vehicles and Parts	\$2,324	\$2,368	\$2,395	\$2,429	\$2,470	\$2,456	\$2,283	\$2,169	\$1,603
Home Furnishings and Appliances	\$557	\$520	\$525	\$547	\$572	\$580	\$555	\$512	\$506
Building Materials	\$1,016	\$1,031	\$1,054	\$1,112	\$1,296	\$1,324	\$1,270	\$1,001	\$783
Food Stores	\$753	\$733	\$711	\$703	\$692	\$705	\$698	\$688	\$632
Service Stations	\$1,033	\$960	\$898	\$1,004	\$1,143	\$1,287	\$1,390	\$1,443	\$1,529
Apparel Stores	\$526	\$522	\$527	\$550	\$592	\$625	\$633	\$639	\$650
General Merchandise Stores	\$1,877	\$1,839	\$1,820	\$1,831	\$1,882	\$1,895	\$1,891	\$1,836	\$1,659
Eating and Drinking Places	\$1,453	\$1,436	\$1,429	\$1,451	\$1,510	\$1,549	\$1,571	\$1,583	\$1,530
Other Retail Stores	\$2,221	\$2,046	\$1,961	\$1,973	\$2,063	\$2,121	\$2,123	\$1,989	\$1,611
Retail Stores Total	\$11,759	\$11,454	\$11,320	\$11,600	\$12,220	\$12,543	\$12,413	\$11,861	\$10,503

Population	33,873,086	34,256,789	34,725,516	35,163,609	35,570,847	35,869,173	36,116,202	36,399,676	36,704,375
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(a) Retail sales have been adjusted to 2013 dollars based on the CA Consumer Price Index, from the CA Dept. of Industrial Relations, based on data from the U.S. Bureau of Labor Statistics.

At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. 2009-2011 data presented in a separate table due to major change in categorization scheme, such that data are not fully comparable with earlier years.

(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.

(c) A "#" sign indicates data unavailability for the category due to SBOE confidentiality rules that suppress data when there are four or fewer outlets or sales in a category dominated by one store. Suppressed sales have been combined with Other Retail Stores.

(d) Per capita sales calculated based on sales divided by population. 2000 and 2010 population from U.S. Census; estimates for other years from CA State Dept. of Finance.

Sources: 2000 & 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2013.

Table B-3b: California Taxable Retail Sales Trends, 2009-2011

Sales in 2013 \$000 (a) (b) (c)	2009	2010	2011
Motor Vehicle and Parts Dealers	\$48,147,559	\$50,616,356	\$55,503,343
Home Furnishings and Appliance Stores	\$23,663,886	\$24,040,748	\$24,551,160
Bldg. Matrl. and Garden Equip. & Supplies	\$25,950,640	\$26,455,149	\$27,140,110
Food and Beverage Stores	\$24,400,821	\$24,356,492	\$24,580,359
Gasoline Stations	\$42,292,168	\$48,340,677	\$57,488,601
Clothing & Clothing Accessories Stores	\$27,750,386	\$29,144,999	\$30,821,655
General Merchandise Stores	\$48,616,652	\$49,513,547	\$50,209,022
Food Services and Drinking Places	\$54,027,821	\$54,813,638	\$57,015,727
Other Retail Group	\$41,963,518	\$41,997,224	\$42,880,327
Retail Stores Total	\$336,813,451	\$349,278,831	\$370,190,304

Sales per Capita in 2013 \$ (d)	2009	2010	2011
Motor Vehicle and Parts Dealers	\$1,302	\$1,359	\$1,483
Home Furnishings and Appliance Stores	\$640	\$645	\$656
Bldg. Matrl. and Garden Equip. & Supplies	\$702	\$710	\$725
Food and Beverage Stores	\$660	\$654	\$657
Gasoline Stations	\$1,144	\$1,298	\$1,536
Clothing & Clothing Accessories Stores	\$751	\$782	\$823
General Merchandise Stores	\$1,315	\$1,329	\$1,341
Food Services and Drinking Places	\$1,462	\$1,471	\$1,523
Other Retail Group	\$1,135	\$1,127	\$1,146
Retail Stores Total	\$9,111	\$9,376	\$9,891

Population	36,966,713	37,253,956	37,427,946
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(a) Retail sales have been adjusted to 2013 dollars based on the CA Consumer Price Index, from the CA Dept. of Industrial Relations, based on data from the U.S. Bureau of Labor Statistics. At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons with previous years should be made with caution. 2009-2011 data presented in a separate table due to major change in categorization scheme, such that data are not fully comparable with earlier years.

(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.

(c) A "#" sign indicates data unavailability for the category due to SBOE confidentiality rules that suppress data when there are four or fewer outlets or sales in a category dominated by one store. Suppressed sales have been combined with Other Retail Group.

(d) Per capita sales calculated based on sales divided by population. 2000 and 2010 population from U.S. Census; estimates for other years from CA State Dept. of Finance.

Sources: 2000 & 2010 U.S. Census; State Dept. of Finance; State Board of Equalization; CA Dept. of Industrial Relations; U.S. Bureau of Labor Statistics; BAE, 2013.

APPENDIX C: LEAKAGE ANALYSIS DETAIL

Table C-1: Leakage Analysis Detail

Store Category	Baseline Per Capita Retail Sales/Expenditures		2013 Total Annual Retail Sales and Sales Potential in \$000 (c)				2013 Total	Injection/
	Estimated Sales in Area (a)	Estimated Resident Expenditures (b)	Estimated Sales in Area	Estimated Resident Expenditures	Estimated Worker Expenditures	Estimated Total Potential Expenditures	Injection/ (Leakage) \$000	as % of Potential Sales
Motor Vehicle and Parts Dealers	\$136	\$2,324	\$8,130	\$138,535	\$0	\$138,535	(\$130,405)	-94%
Furniture and Home Furnishings Stores	\$239	\$353	\$14,228	\$21,031	\$0	\$21,031	(\$6,803)	-32%
Electronics and Appliance Stores	\$239	\$816	\$14,228	\$48,657	\$4,700	\$53,357	(\$39,130)	-73%
Bldg. Matrl. and Garden Equip. and Supplies	\$222	\$1,068	\$13,212	\$63,648	\$0	\$63,648	(\$50,436)	-79%
Food and Beverage Stores	\$2,778	\$2,480	\$165,653	\$147,859	\$11,300	\$159,159	\$6,494	4%
Health and Personal Care Stores	\$580	\$687	\$34,553	\$40,941	\$4,000	\$44,941	(\$10,388)	-23%
Gasoline Stations	\$886	\$918	\$52,847	\$54,756	\$0	\$54,756	(\$1,909)	-3%
Clothing and Clothing Accessories Stores	\$682	\$1,372	\$40,651	\$81,772	\$6,000	\$87,772	(\$47,121)	-54%
Sporting Goods, Hobby, Book, and Music Stores	\$273	\$393	\$16,260	\$23,440	\$1,800	\$25,240	(\$8,980)	-36%
General Merchandise Stores	\$2,148	\$1,772	\$128,051	\$105,661	\$17,100	\$122,761	\$5,290	4%
Miscellaneous Store Retailers	\$34	\$347	\$2,033	\$20,672	\$5,800	\$26,472	(\$24,439)	-92%
Food Services and Drinking Places	\$2,267	\$2,410	\$135,165	\$143,690	\$15,100	\$158,790	(\$23,625)	-15%
Total	\$10,483	\$14,939	\$625,012	\$890,661	\$65,800	\$956,461	(\$331,450)	-35%

Retail Trade Area

Store Category	Baseline Per Capita Retail Sales/Expenditures		2013 Total Annual Retail Sales and Sales Potential in \$000 (c)				2013 Total	Injection/
	Estimated Sales in Area (a)	Estimated Resident Expenditures (b)	Estimated Sales in Area	Estimated Resident Expenditures	Estimated Worker Expenditures	Estimated Total Potential Expenditures	Injection/ (Leakage) \$000	as % of Potential Sales
Motor Vehicle and Parts Dealers	\$3,424	\$2,457	\$2,009,792	\$1,442,285	\$0	\$1,442,285	\$567,507	39%
Furniture and Home Furnishings Stores	\$313	\$332	\$183,822	\$194,905	\$0	\$194,905	(\$11,083)	-6%
Electronics and Appliance Stores	\$825	\$764	\$484,066	\$448,170	(\$5,600)	\$442,570	\$41,495	9%
Bldg. Matrl. and Garden Equip. and Supplies	\$995	\$1,009	\$584,147	\$592,208	\$0	\$592,208	(\$8,061)	-1%
Food and Beverage Stores	\$2,620	\$2,471	\$1,537,981	\$1,450,188	(\$13,400)	\$1,436,788	\$101,193	7%
Health and Personal Care Stores	\$717	\$691	\$420,749	\$405,514	(\$4,700)	\$400,814	\$19,935	5%
Gasoline Stations	\$1,167	\$941	\$685,249	\$552,556	\$0	\$552,556	\$132,693	24%
Clothing and Clothing Accessories Stores	\$1,002	\$1,288	\$588,232	\$756,103	(\$7,200)	\$748,903	(\$160,671)	-21%
Sporting Goods, Hobby, Book, and Music Stores	\$546	\$366	\$320,668	\$215,083	(\$2,200)	\$212,883	\$107,785	51%
General Merchandise Stores	\$1,514	\$1,715	\$888,475	\$1,006,780	(\$20,300)	\$986,480	(\$98,005)	-10%
Miscellaneous Store Retailers	\$412	\$343	\$242,033	\$201,196	(\$6,900)	\$194,296	\$47,737	25%
Food Services and Drinking Places	\$2,271	\$2,343	\$1,332,713	\$1,375,340	(\$18,000)	\$1,357,340	(\$24,628)	-2%
Total	\$15,807	\$14,721	\$9,277,926	\$8,640,329	(\$78,300)	\$8,562,029	\$715,897	8%

All sales and leakages are in 2013 dollars.

(a) From Table 13.

(b) Estimated expenditures per capita are derived from Nielsen RMP Opportunity Gap Report, adjusted to account for local expenditure patterns in Santa Clara County. These levels of consumer potential are assumed as a benchmark against which to compare actual sales. Sales assumed to be "leaking" from the area if that area has per capita sales below benchmark sales. Per capita sales are calculated based on 2013 population per CA State Dept. of Finance for Town and Nielsen for Retail Trade Area.

2013 Cupertino Population: 59,620

2013 RTA Population: 586,946

(c) Total sales = Sales/expenditures per capita times area population.

Sources: CA Department of Industrial Relations; U.S. Bureau of Labor Statistics; U.S. Census of Retail Trade, 2007; 2011 Zip Code and County Business Patterns; Nielsen MarketPlace; BAE, 2013.

APPENDIX D: NOTES ON METHODOLOGY FOR RETAIL SALES AND LEAKAGE ESTIMATES

BAE has developed point-in-time estimates of retail sales by six-digit NAICS²² category, applying sales per employee data by NAICS from the 2007 Census of Retail Trade to generate estimates of total retail sales by category for 2011 based on Zip Code Business Patterns, the most recent data available at the time of analysis. These estimates have the advantage over estimates based on taxable data in that all retail sales are included, so no adjustment factors are necessary to get from SBOE data to total retail sales. It should be noted that these estimates should be considered as approximate, since the exact employment numbers for each store type are not available; instead, the published data group stores into an employment class size.²³ Additional comparisons were made with SBOE data to determine whether it was necessary to reconcile major discrepancies between the Zip Code-derived estimates and the published taxable sales data. It was determined that no adjustments were required; while the estimates from the Zip Code data vary from SBOE figures, these differences are due in large part to the inclusion of nontaxable sales.

²² The North American Industrial Classification System (NAICS) is a federally-directed system for classifying establishments by industry.

²³ For example, one store size category in the Zip Code Business Patterns ranges from 25 to 49 employees; estimates are based on a central point in this range, since the exact number of employees is unknown.

APPENDIX E: WORKER SPENDING CLOSE TO PLACE OF WORK

Table E-1: Worker Spending Close to Place of Work

Major Retail Category	Avg. Per Week, 2011 \$ (a)	Avg. Per Year, 2011 \$ (b)	Avg. Per Year, 2013 \$ (c)	Category for Estimate (d)
Electronics/Phone/Computer Stores	\$8.93	\$429	\$446	Electronics and Appliance Stores
Grocery Stores	\$21.58	\$1,036	\$1,079	Food and Beverage Stores
Drug Stores	\$7.60	\$365	\$380	Health and Personal Care Stores
Clothing Stores	\$4.43	\$213	\$221	Clothing and Clothing Accessories Stores
Shoe Stores	\$3.40	\$163	\$170	Clothing and Clothing Accessories Stores
Jewelry Stores	\$3.75	\$180	\$187	Clothing and Clothing Accessories Stores
Sporting Goods Stores	\$3.49	\$168	\$174	Sporting Goods, Hobby, Book, and Music Stores
Department Stores	\$9.03	\$433	\$451	General Merchandise Stores
Discount Stores	\$11.33	\$544	\$566	General Merchandise Stores
Warehouse Clubs	\$12.32	\$591	\$616	General Merchandise Stores
Office Supplies/Stationery/Novelty Gifts and Cards	\$7.41	\$356	\$370	Miscellaneous Store Retailers
Other Goods (florist, non-food vendors, etc.)	\$3.75	\$180	\$187	Miscellaneous Store Retailers
Full-Service Restaurants	\$13.06	\$627	\$653	Food Services and Drinking Places
Fast Food/Deli/Lunch Eateries	<u>\$15.80</u>	<u>\$758</u>	<u>\$790</u>	Food Services and Drinking Places
Total	\$125.88	\$6,042	\$6,292	

Notes:

(a) Estimate of worker potential expenditures based on *Office-Worker Retail Spending in the Digital Age* (ICSC, 2012).

(b) Assumes work weeks per year = 48 to account for vacation, sick time, and other absences.

(c) Survey conducted in 2011. Inflated to 2013 dollars using the US Consumer Price Index for All Urban Consumers, with inflation in 2013 assumed to continue at the rate from January through May.

Inflation factor = 1.04127

Sources: International Council of Shopping Centers (ICSC); U.S. Bureau of Labor Statistics; BAE, 2013.

APPENDIX F: NET RETAIL EXPENDITURES NEAR WORK FOR CUPERTINO WORKERS

Table F-1: Net Retail Expenditures Near Work for Cupertino Workers

Major Retail Category	Annual Potential Worker Expenditures Near Work (a)	
	Cupertino	RTA
Motor Vehicle and Parts Dealers	\$0	\$0
Furniture and Home Furnishings Stores	\$0	\$0
Electronics and Appliance Stores	\$4,700,000	(\$5,600,000)
Bldg. Matrl. and Garden Equip. and Supplies	\$0	\$0
Food and Beverage Stores	\$11,300,000	(\$13,400,000)
Health and Personal Care Stores	\$4,000,000	(\$4,700,000)
Gasoline Stations	\$0	
Clothing and Clothing Accessories Stores	\$6,000,000	(\$7,200,000)
Sporting Goods, Hobby, Book, and Music Stores	\$1,800,000	(\$2,200,000)
General Merchandise Stores	\$17,100,000	(\$20,300,000)
Miscellaneous Store Retailers	\$5,800,000	(\$6,900,000)
Food Services and Drinking Places	\$15,100,000	(\$18,000,000)
Net Potential Worker Retail Expenditures	\$65,800,000	(\$78,300,000)

Notes:

(a) Estimate of worker potential expenditures based on *Office-Worker Retail Spending in the Digital Age* (ICSC, 2012) as shown in Appendix E. Total worker expenditures based on per worker data is multiplied by the estimated net inflow of workers into Cupertino. Numbers rounded to nearest hundred thousand. Net inflows of workers is used since worker expenditures for the number of workers up to the number of working residents would already be accounted for by the expenditures of those working residents in the resident demand analysis.

Net inflow of workers into Cupertino = 10,440






Net inflow of workers into Retail Trade Area = -12,449

Based on U.S. Census Bureau's OnTheMap Application and LEHD Origin-Destination Employment Statistics (Beginning of Quarter Employment, 2nd Quarter of 2002-2011).

Sources: U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD); International Council of Shopping Centers (ICSC); BAE, 2013.

APPENDIX G: CURRENTLY LEASING PROPERTIES

Table G-1: Currently Leasing Office Properties, Cupertino, June 2013

Name/Address Stories/Year Built	Total Size Space for Lease Vacancy Rate	Min Divisible Max Contiguous	Asking Rent	Lease Type	Details
Cupertino City Center 20400-20450 Stevens Creek Blvd 8 stories/Built 1990 	350,000 total sq. ft. 8,201 sq. ft. available 2% vacant	8,201 sq. ft. min. 8,201 sq. ft. max. 1 space available	\$4.00/sf/mo	NNN Additional expenses: \$1.00/sf/mo	Additional spaces will be available in July 2013, Sept 2013, & Jan 2014 and are currently advertised.
Cupertino Financial Center 10080 Wolfe Rd 3 stories/Built 1972 	47,000 total sq. ft. 908 sq. ft. available 2% vacant		\$4.50/sf/mo	Full Service	
Stevens Creek Office Center 20863 Stevens Creek Blvd Built 1975 	108,000 total sq. ft. 3,873 sq. ft. available 4% vacant	845 sq. ft. min. 3,028 sq. ft. max. 2 spaces available	\$3.50/sf/mo	Full service	Class B Property
21685 Grenada Ave 2 stories/Built 1986 	2,080 total sq. ft. 2,080 sq. ft. available 100% vacant		\$2.25/sf/mo		Class B property. Listed as retail and office.
Cupertino Marketplace 19620-19780 Stevens Creek Blvd 2 stories 	21,391 sq. ft. available	625 sq. ft. min. 5,877 sq. ft. max. 5 spaces available	\$2.75 to \$3.75/sf/mo	NNN Additional expenses: \$0.72/sf/mo	Office space located in mixed-use property with office and retail. Asking rent for space on ground floor is \$3.75. Asking rent for space on 2nd floor is \$2.75.




Continued on following page.

Table G-1: Currently Leasing Office Properties, Cupertino, June 2013 (continued)

Name/Address Stories/Year Built	Total Size Space for Lease Vacancy Rate	Min Divisible Max Contiguous	Asking Rent	Lease Type	Details
Arbor Professional Center 20045/20065 Stevens Creek Blvd 2 stories/Built 1985 	20,000 total sq. ft. 464 sq. ft. available 2% vacant	464 sq. ft. min. 464 sq. ft. max. 1 space available	\$2.25/sf/mo	Full Service	Class B property
Bimark Building 21760 Stevens Creek Blvd 2 stories/Built 1985 	10,000 total sq. ft. 1,053 sq. ft. available 11% vacant	1,053 sq. ft. min. 1,053 sq. ft. max. 1 space available	\$2.50/sf/mo	Full Service	Class B property
Cupertino Corporate Square 10062 Miller Ave 2 stories/Built 1980 	19,862 total sq. ft. 3,641 sq. ft. available 18% vacant	646 sq. ft. min. 2,995 sq. ft. max. 2 spaces available	\$2.25/sf/mo	Modified gross	Class B property
19450 Stevens Creek Blvd 2 stories 	12,344 total sq. ft. 2,540 sq. ft. available 21% vacant	899 sq. ft. min. 1,641 sq. ft. max. 2 spaces available	\$2.75/sf/mo	Modified gross	Class A property
21040 Homestead Rd 2 stories/Built 1979 	6,550 total sq. ft. 3,202 sq. ft. available 49% vacant	1,067 sq. ft. min. 3,302 sq. ft. max. 3 spaces available	\$2.75 to \$1.95/sf/mo	Full Service	Building has three spaces available that can be combined to form one space.







Continued on following page.

Table G-1: Currently Leasing Office Properties, Cupertino, June 2013 (continued)

Name/Address Stories/Year Built	Total Size Space for Lease Vacancy Rate	Min Divisible Max Contiguous	Asking Rent	Lease Type	Details
Cupertino Corporate Center 1601 De Anza Blvd 2 stories 	77,302 total sq. ft. 4,066 sq. ft. available 5% vacant	4,066 sq. ft. min. 4,066 sq. ft. max. 1 space available	\$2.75/sf/mo	Full Service	
10055 Miller Ave 2 stories/Built 1986 	100,004 total sq. ft. 2,030 sq. ft. available 2% vacant	2,030 sq. ft. min. 2,030 sq. ft. max. 1 space available	\$2.40/sf/mo	Modified gross	Class B property
10054 Pasadena Ave 	2,074 sq. ft. available	2,074 sq. ft. min. 2,074 sq. ft. max. 1 space available	\$2.10/sf/mo	Full Service	Class B property. Mixed-use building with commercial on ground floor and residential above.






Sources: Loopnet, 2013; BAE, 2013

Table G-2: Currently Leasing Retail Properties, Cupertino, June 2013

Name/Address Stories/Year Built	Total Size Space for Lease Vacancy Rate	Asking Rent	Min Divisible Max Contiguous	Lease Type	Details
Cupertino Marketplace 19620-19780 Stevens Creek Blvd 2 stories 	21,391 sq. ft. available	\$2.75 to \$3.75/sf/mo	625 sq. ft. min. 5,877 sq. ft. max. 5 spaces available	NNN Additional expenses: \$0.72/sf/mo	Retail space located in mixed-use property with office and retail. Asking rent for space on ground floor is \$3.75. Asking rent for space on 2nd floor is \$2.75.
21685 Grenada Ave 2 stories/Built 1986 	2,080 total sq. ft. 2,080 sq. ft. available 100% vacant	\$2.25/sf/mo			Class B property. Listed as retail or office, but more suitable for office uses.
10088 N Wolfe Rd Under Construction 	63,883 total sq. ft. 63,883 sq. ft. available 100% vacant	\$4.25 to \$4.75/sf/mo	800 sq. ft. min. 13,000 sq. ft. max. 11 spaces available	NNN	Retail space in a mixed-use development currently under construction.
20803 Stevens Creek Blvd 1 story/Under Construction 	15,000 total sq. ft. 15,000 sq. ft. available 100% vacant	\$4.00/sf/mo	1,500 sq. ft. min. 5,000 sq. ft. max. 1 space available	NNN	Retail strip center currently under construction.
10065 Stevens Creek Blvd 	38,230 total sq. ft. 4,150 sq. ft. available 11% vacant	\$1.50/sf/mo		Modified gross	Retail strip center
De Anza Plaza 10555 S De Anza Blvd 	4,723 sq. ft. available	\$2.50/sf/mo	1,771 sq. ft. min. 10,000 sq. ft. max. 3 spaces available	NNN	Retail strip center





Continued on following page.

Table G-2: Currently Leasing Retail Properties, Cupertino, June 2013 (continued)

Name/Address Stories/Year Built	Total Size Space for Lease Vacancy Rate	Asking Rent	Min Divisible Max Contiguous	Lease Type	Details
Montebello Retail 20488 Stevens Creek Blvd 1 story/Built 2005 	7,346 total sq. ft. 1,506 sq. ft. available 21% vacant	\$1.75/sf/mo	1 space available	NNN	Ground-floor retail space in mixed-use building with retail and residential.
Homestead Square 20580-21230 Homestead Rd 1 story/Built 1976 	200,000 total sq. ft. 200,000 sq. ft. available 100% vacant	\$2.50 to \$4.50/sf/mo	1,500 sq. ft. min. 55,000 sq. ft. max.	NNN	Community shopping center. Currently under construction. Asking rents from \$2.50 for anchor space, \$4.50 for shop space.
20149 Stevens Creek Blvd 1 story/Built 1957	15,100 total sq. ft. 9,600 sq. ft. available 64% vacant	\$3.13/sf/mo		NNN	Showroom space with roll up door. 5,600 sq. ft. of warehouse in rear.
Metropolitan at Cupertino 19501-19505 Stevens Creek Blvd 	1,278 sq. ft. available	\$2.95/sf/mo		NNN	Retail space in mixed use development with retail and housing.
20558 Stevens Creek Blvd Built 1959 	200,000 total sq. ft. 20,901 sq. ft. available 10% vacant	\$2.25/sf/mo	1 space available	NNN	Sublease - expires Dec 2019.
Travigne Plaza 19929 Stevens Creek Blvd 2 stories/Built 2003 	1,200 sq. ft. available	\$2.25/sf/mo	1 space available	NNN	Retail space in mixed-use building with 2 offices upstairs, 5 retail businesses on ground floor. Includes exclusive use of outdoor patio.

Continued on following page.

Table G-2: Currently Leasing Retail Properties, Cupertino, June 2013 (continued)

Name/Address Stories/Year Built	Total Size Space for Lease Vacancy Rate	Asking Rent	Min Divisible Max Contiguous	Lease Type	Details
Cupertino Crossroads 20630 Stevens Creek Blvd 	20,000 total sq. ft. 4,000 sq. ft. available 20% vacant	\$2.50/sf/mo Additional expenses: \$0.25/sf/mo	1 space available	NNN	Retail space in strip center.
20279 Stevens Creek Blvd 1 story/Built 1980 	9,507 total sq. ft. 1,280 sq. ft. available 13% vacant	\$4.00/sf/mo	1 space available	NNN	Day spa, chiropractor office, acupuncture office, or similar use in a neighborhood center.
Cupertino Village 10945 N Wolfe Rd 2 stories/Built 1968 	23,889 total sq. ft. 6,641 sq. ft. available 28% vacant		2,999 sq. ft. min. 3,642 sq. ft. max. 2 spaces available	NNN	Day spa, chiropractor office, acupuncture office, or similar use in a neighborhood center.
Main Street Cupertino 	100,000 total sq. ft. 100,000 sq. ft. available 100% vacant				Project is currently under construction.

Sources: Loopnet, 2013; BAE, 2013

APPENDIX H: PLANNED AND PROPOSED DEVELOPMENT IN CUPERTINO

Table H-1: Planned and Proposed Development, Cupertino, May 2013 (Revised January 2014)

Project Location Developer	Site Size (acres)	Size (sq. ft.)	Comments
Under Construction			
Apple Cafeteria 20625 Alves Dr. Apple, Inc.	0.88	24,000 sq. ft. new retail 4,000 sq. ft. retail demo 20,000 net new retail sq. ft.	Cafeteria and underground parking for Apple employees.
Homestead Square 20620/20580/20680 Homestead Rd. Sobrato Development Co.	15	196,622 sq. ft. new retail 25,666 sq. ft. retail demo 100,956 net new retail sq. ft.	New commercial space in an existing shopping center. Project includes a Rite-Aid pharmacy with drive through.
Biltmore Adjacency 20030 Stevens Creek Blvd Prometheus Real Estate Group	13	80 new residential units 7,000 sq. ft. new retail 21,000 sq. ft. retail demo	Mixed-use development with 80 rental residential units and 7,000 sq. ft. of commercial space.
Rose Bowl 19800 Vallco Pkwy		59,827 sq. ft. new retail 204 new residential units	Mixed-use development with 204 residential rental units, 59,827 sq. ft. of retail space.
Cupertino Village SWC of Wolfe Rd & Homestead Rd Kimco Realty	12.5	24,455 sq. ft. new retail	Two new one-story retail buildings and a two-level parking structure. No building permits submitted. Entitlement expires 11/01/2013.
Main Street Cupertino N side of Stevens Creek Blvd b/t Finch Ave & Tantau Ave Ken Rodrigues and Partner, Inc.	18.5	130,500 sq. ft. new retail 180 new hotel rooms 260,000 sq. ft. new office 120 new residential units	Mixed-use development with retail, office, hotel, and rental residential units with a five-level parking garage with two levels of underground parking. No building permit submitted. Entitlement expires 5/15/2015.
Approved (Construction Not Yet Commenced)			
Tantau Retail and Parking Garage 10100 N. Tantau Ave Chang Architecture & Planning	9.4	10,582 sq. ft. new retail	New retail building and one-level parking garage on an existing office site. No building permits have been issued. Entitlements expire 8/21/2015.
Saich Way Station NWC of Saich Way & Stevens Creek Blvd.		15,650 sq. ft. new retail 11,640 sq. ft. retail demo 4,010 net new retail sq. ft.	Approved by City Council in Feb. 2013. No building permits have been submitted.
The Oaks Shopping Center 21255-21275 Stevens Creek Blvd Sand Hill Properties, Inc.	8.1	122 new hotel rooms 18,731 sq. ft. new retail (a) 18,731 sq. ft. new office (a) 2,430 sq. ft. retail demo 15,263 sq. ft. theater demo	Mixed-use development with four-story, 122-room hotel and three-story, 56,194-sq. ft. retail/office/ convention center over underground podium parking. Demolition of existing theater and retail space. Entitlement expires 9/02/2014.
1 Results Way NWC Bubb Rd and McClellan Rd Embarcadero Capital Partners, LLC	19.8	155,000 sq. ft. new office 139,632 sq. ft. office demo 15,368 net new office sq. ft.	Demolition of five buildings and construction of three new 2-story office buildings and a 2-level parking garage. No building permit submitted. Entitlement expires 7/21/2014.
Apple Campus 2 N. Wolfe Rd, E. Homestead Rd, N. Tantau Ave, I-280 Apple, Inc.	175	3,400,000 sq. ft. new office 2,650,000 sq. ft. office demo 750,000 net new office sq. ft.	New office campus for Apple, Inc. Phase I includes 2.82 million sq. ft. of office and amenity space, a 1,000-seat auditorium, a corporate gymnasium, a parking structure and an onsite energy generation facility. Phase II includes 600,000 sq. ft. of office and research facilities. Environmental review in progress.

Continued on following page.

Table H-1: Planned and Proposed Development, Cupertino, May 2014 (Revised January 2014;continued)

Project Location Developer	Site Size (acres)	Size (sq. ft.)	Comments
Pending Approval			
Parkside Trails E side of Stevens Canyon Rd S of Ricardo Rd Parkside Trails LLC	9	18 new residential units	18 new single family homes on 9 acres. The project includes dedication of 33.5 acres adjacent to the project site as open space.
Summary			
Total New Residential Planned and Proposed (units)		422	
Total Residential Units Proposed for Demolition:		0	
Net New Planned and Proposed Residential (units)		422	
Total New Office Planned and Proposed (sq. ft.)		3,833,731	
Total Office Proposed for Demolition:		<u>2,789,632</u>	
Net New Planned and Proposed Office (Sq. Ft.)		1,044,099	
Total New Retail Planned and Proposed (sq. ft.)		487,367	
Total Retail Proposed for Demolition:		<u>134,736</u>	
Net New Planned and Proposed Retail (Sq. Ft.)		352,631	
Total New Lodging Planned and Proposed (# of Rooms)		302	
Total Lodging Proposed for Demolition:		0	
Net New Planned and Proposed Lodging (# of Rooms)		302	

Note:

(a) The Oaks Shopping Center project would include 56,194 square feet of retail/office/convention center space. The square footage of